

Sustainable

Development Report

2020



SPUERKEESS PLAYS AN
IMPORTANT ROLE IN
THE ECONOMIC AND
SOCIAL DEVELOPMENT
OF THE COUNTRY.



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MESSAGE FROM THE EXECUTIVE COMMITTEE

WE ARE AWARE OF THE GROWING IMPORTANCE WHICH TRIGGERS AN ACTIVE CONTRIBUTION

From the devastating bushfires in Australia to the global emergence of the COVID-19 pandemic, 2020 was a year of major uncertainties that really put humanity to the test. At the same time, awareness of the importance of ESG factors for both sustainable economic development and social cohesion is developing around the world.

At Spuerkeess, we are aware of the growing importance of active contributions from all of society's stakeholders to the maintaining of an environment that is both ecologically and economically sustainable.

Day to day, we have tackled the public health crisis by changing our behaviour and working methods to ensure the continuity of our banking activities, and by introducing the safety measures necessary to protect our employees and our customers. When the public health crisis became an economic crisis, we redoubled our efforts to help struggling customers, particularly by granting repayment holidays to professionals and SMEs. 2020 also saw the development of our "Spuerkeess 2025" strategic plan, in which Sustainable Development is a cross-business pillar affecting all our activities, both banking and non-banking. In order to create impact, Spuerkeess has adopted the role of Transition Enabler, facilitating the transition towards a sustainable economy in Luxembourg by focusing first and foremost on the energy and environmental transition, the digitalisation of stakeholders and education with a view to promoting social inclusion.

Having signed up to the UNEP FI¹ Principles for Responsible Banking (PRB) in October 2019, we have committed to gradually aligning our activities with the United Nations Sustainable Development Goals and the targets set in the Paris Climate Agreement. As a result of signing up to the PRB, we now have a methodology that allows us to identify and analyse the environmental, social and governance impacts of our banking activities on behalf of customers, so that we can derive action plans from this information, helping to improve our indirect carbon footprint. As regards the consultation of our stakeholders, we have made this more representative by including customers and suppliers for the first time, enabling us to incorporate their sustainability expectations within our strategy.



¹United Nations Environment Programme Finance Initiative



Achievements in 2020

Despite the special conditions imposed by the COVID-19 pandemic, we have managed to deliver noteworthy results in several sustainable development fields.

We have introduced the “One Stop Shop” concept, whose purpose is to advise customers on the energy transition by making them more aware of the state and private grants available for energy renovations, and to assist them financially with the execution of renovation projects.

In the same vein, we wished to serve as an example in the combating of climate change by setting up a detailed carbon assessment to identify new ways to further improve our direct carbon footprint, through our premises and the way we work and travel.

Our cooperation with stakeholders was expanded in 2020 as we worked with scientists to acquire the impact and materiality analysis expertise necessary to define ESG (Environmental, Social and Governance) rating models for both credit and securities portfolios.

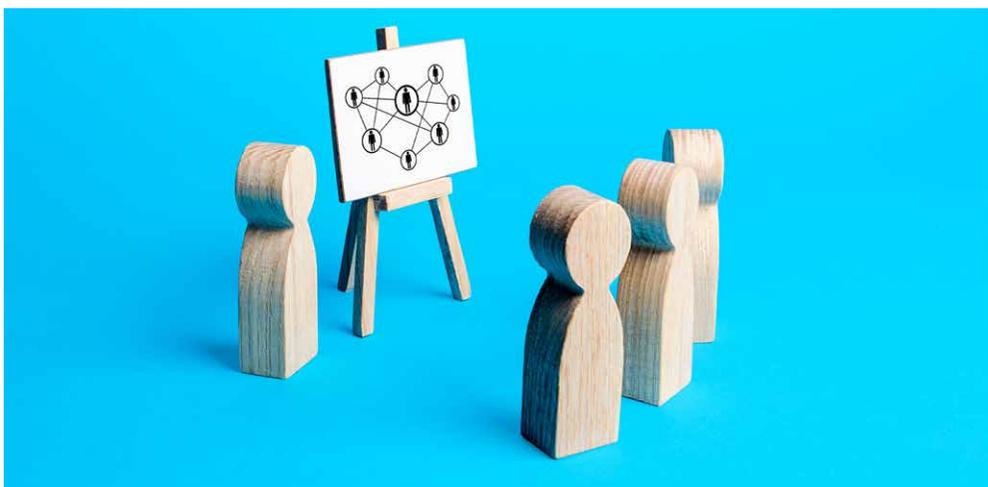
As far as the social aspect is concerned, we will continue to be an “Employer of choice”, making a commitment to our Staff by providing a stimulating workplace and continuously investing in staff training and occupational health and well-being. We are working on the streamlining of our processes and their digital transformation to make work easier. Likewise, we make sure that our employees are trained and supported in the adoption of new internal tools, practices and processes.

The outlook for 2021 and 2022

In the short term, we will build the foundations necessary for us to pursue and develop our sustainable development ambitions. First of all, we will promote a sustainability culture both inside and outside Spuerkeess. The commitment of our Staff is vital for us to play our role as a Transition Enabler in a committed and consistent way.

In addition to our Staff initiatives, we will also focus our efforts on intensifying our engagement with our stakeholders, including our customers and suppliers, climate and environmental scientists and energy experts. Close collaboration with these players will allow us to develop innovative projects that promote the transition to a sustainable economy.

It goes without saying that we will continue our efforts to constantly improve our own environmental, social and governance performance, particularly in terms of our environmental footprint, within our core business (financing, investments, customer portfolios, etc.), while ensuring compliance with, and the implementation of, sustainable finance regulations and directives.



OUR MISSION

PART I



Spuerkeess has played an important role in the country's economic and social development since its creation in 1856. Its mission is defined by the Organic Law of 24 March 1989:

Art 5 of the Organic Law of 1989: "As a State Bank, Spuerkeess seeks to:

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

WHO ARE WE?

WE ARE A SOCIALLY RESPONSIBLE LENDER

We define ourselves as a "socially responsible lender", in keeping with our social mission. We are committed to ensuring that this responsibility is demonstrated through all our activities and that it is expressed particularly when:

- we finance housing for individuals, and especially first-time buyers,
- we help individuals to plan their future savings. Spuerkeess is the Luxembourg market leader,
- 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 citizen by granting financing to local public and parapublic authorities.

WE ARE A STABLE AND SAFE BANK

As a systemic bank in Luxembourg, Spuerkeess has always paid very close attention to its stability, while having to adapt to the changing social and economic environment in order to maintain sustainable growth, which is vital for the Luxembourg ecosystem. For many years now, the international rating agencies have rated it AA+ (Standard & Poor's) and Aa2 (Long-term Deposit Rating, Moody's). Global Finance magazine ranks Spuerkeess as one of the world's safest banks and gave it the "Safest Bank Award – Luxembourg" in 2020.



WE ARE A BANK FOCUSED ON CUSTOMERS' NEEDS

Spuerkeess has always made customers its key priority by creating a universe of easily accessible products. This accessibility can now also be seen in the possibility of offering our banking products, services and advice through a multitude of channels. With this aim in mind, the Bank provides high-quality tools such as its S-Bank ATMs, its S-Net and S-Net Mobile digital solutions, its remote banking service branch "Spuerkeess Direct" and its Mobile Branch. Spuerkeess' branch network is made up of a total of 52 branches (excluding "Spuerkeess Direct" and its Mobile Branch) and includes more than 190 ATMs spread across the country.

In addition, 42 of our branches have been adapted so that people with reduced mobility can easily access the Bank's premises, which also applies to 125 of our ATMs. If permitted by feasibility constraints, the remaining branches and ATMs will be made compatible with the needs of people with reduced mobility as the premises undergo renovation work, which is regularly undertaken by the Bank.

The recent awarding of the title of "Best Bank - Luxembourg 2020" by Global Finance and of "Bank of the Year 2020 - Luxembourg" by The Banker is a testament to the efforts that Spuerkeess is making in this area.

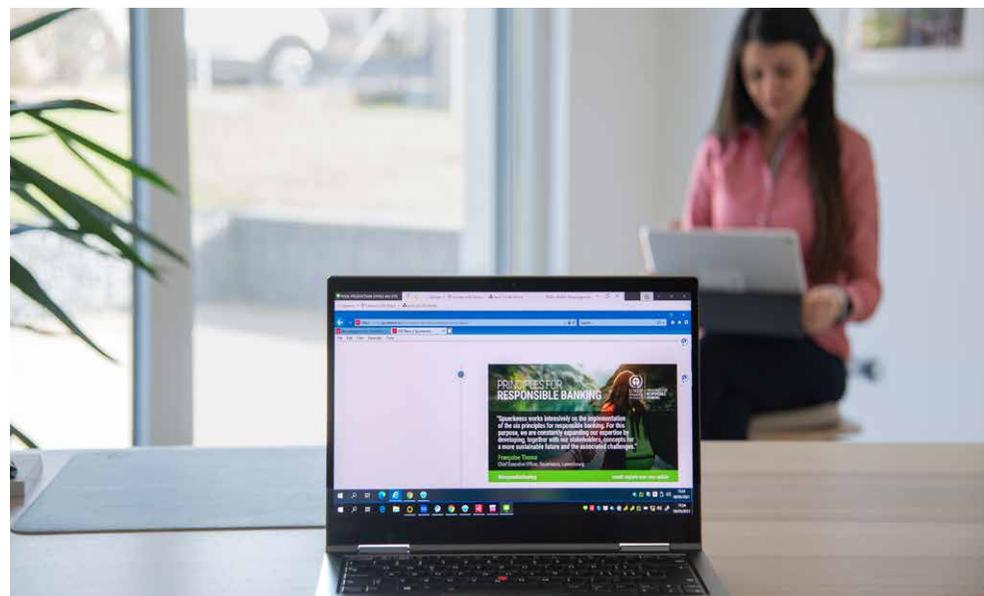


WE ARE A RESPONSIBLE EMPLOYER

Spuerkeess' ambition has always been to stand out as an "Employer of choice". The many accolades received by Spuerkeess, including its naming as "Most Attractive Employer" by Randstad, and "Most Popular Bank in Luxembourg" by KPMG, prove that it has been able to establish itself as an institution with a high level of public recognition and respect. This is the result, however, of a human resources management approach where this same recognition and respect are given to the Bank's Staff.

The challenge of managing the public health crisis showed that Spuerkeess' priorities are the safeguarding of its collaborators' and customers' well-being. The Bank has rolled out all the resources necessary to guide its collaborators through this difficult period, including a crisis unit, hotline, information and working from home.

With regard to the assistance provided to its customers, Spuerkeess has ensured the continuity of its activities thanks to the agility and rapid adaptation of its staff to this extraordinary situation. The Bank has in this way made clear to its customers that it will always remain "Your Bridge to Life".



WHAT DO WE DO?

OUR BUSINESS MODEL

The Bank's core activity consists of collecting deposits and granting loans and credit to the country's economy. More than two-thirds of Spuerkeess' liabilities are therefore made up of deposit inflows from our individual, SME and institutional customers in Luxembourg, which is its main source of financing. Spuerkeess' lending and credit policy observes the principle of acting as a "socially responsible lender". Our greatest responsibility as a responsible banker is to protect our customers from excess debt by making a prudent assessment of their repayment capacities.

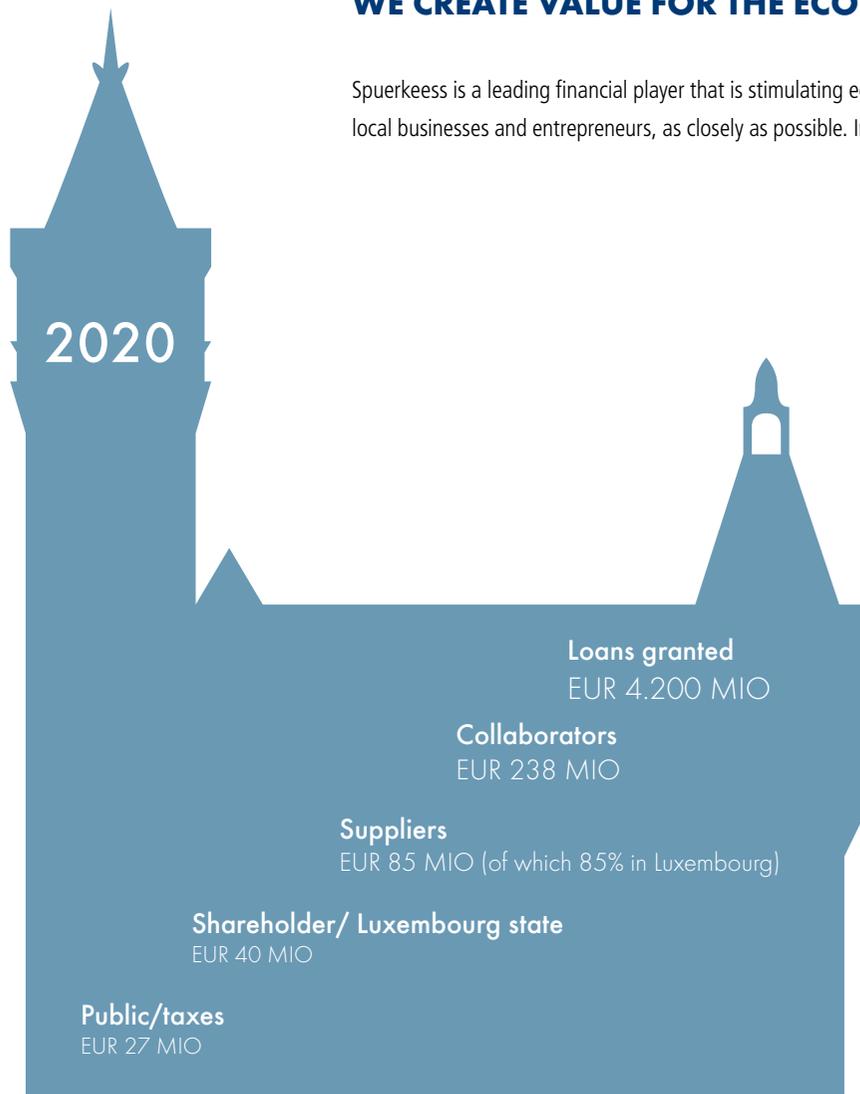
The Bank also has two other sources of financing: short-term and, to a lesser extent, medium-term financial market debt contracted via its three refinancing programmes (ECP, USCP and EMTN3), as well as its own funds, which allow it to post, year after year, liquidity and solvency ratios that are considerably higher than the minimum regulatory requirements.

Spuerkeess is the leader in its domestic market, in terms of both savings products and loans, and has successfully built a portfolio of commitments in the local market characterised by a prudent risk profile. Its granting of loans/credit and investment in (investment grade) debt securities in the international financial markets also follow a prudent risk profile. Its reputation as a sound financial institution has been confirmed for years by its ranking in the top quintile of European banks by the US rating agencies Moody's and S&P.



WE CREATE VALUE FOR THE ECONOMY AND SOCIETY

Spuerkeess is a leading financial player that is stimulating economic growth and job creation in Luxembourg. Our economic mission is necessarily to support our individual customers, and local businesses and entrepreneurs, as closely as possible. In 2020, we contributed to the Luxembourg economy through lending and the distribution of the value created as follows:



During the public health crisis of 2020, Spuerkeess stood out through its positioning as a caring bank, particularly for the self-employed people and companies who were hit hardest.

The Bank took steps to both provide administrative support during the lockdown phase, and to ensure these companies' liquidity by easing their financial burdens through repayment holiday agreements, before any state measures along these lines had been planned. The vast majority of repayment holiday requests were processed within one business day, which was possible thanks to our teams rallying round and the digital tools implemented before the public health crisis.

In 2020, Spuerkeess partnered with the "Youth & Work" initiative, whose aim is to assist motivated young people as they look for jobs or apprenticeship opportunities. This alliance is currently all the more important as the public health and economic crisis that we are experiencing has had a particularly significant impact on young people in Luxembourg. Given that this is the case, Spuerkeess decided to provide urgent assistance to young people seeking the material and moral support of "Youth & Work" by:

- making a donation to this project, which is so ambitious and valuable from a human point of view and
- inviting its customers, via the S-Net Newscenter, to also support this important initiative by making a donation to "Youth & Work".

We are particularly proud that 8 out of 10 of the young people who asked for help from "Youth & Work" were able to find a job in 2020, and that we were able to contribute to this achievement.

SERVING OUR CUSTOMERS

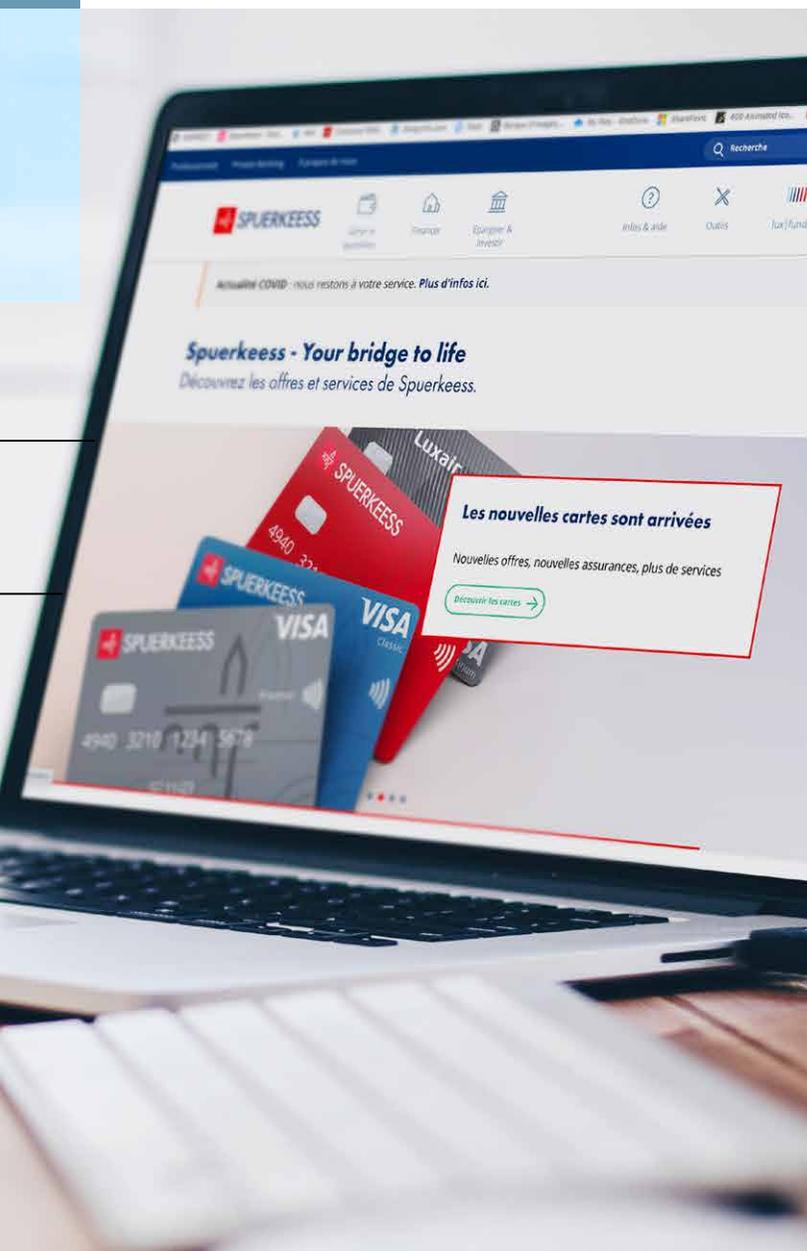
As a universal bank, Spuerkeess has a comprehensive range of banking and financial products and services in order to be able to offer solutions suited to the specific needs of its retail, corporate and public sector customers.

- **7% Public sector**

- **24% Corporate**

- **69% Retail**

A breakdown of the loans and advances granted in 2020 by customer category is presented in the annual report in Chapter 4.3. "LOANS AND ADVANCES AT AMORTISED COST – CUSTOMERS".



OUR PRODUCTS:

Certain products and services are marketed under our specific brands, namely:

TWEENZ CLUB: an exclusive club for young savers (ages 6–12),

AXXESS: a banking and non-banking offering for secondary school students, university students and young workers,

ZEBRA / ZEBRA PREMIUM: a banking offering with a flat-rate monthly price for retail customers,

ZEBRA BUSINESS / ZEBRA BUSINESS PLUS: an all-inclusive banking offering for professional customers and SMEs,

SPEEDINVEST: a digital automated investment product,

THE APP “MY INTELLIGENT ASSISTANT” (MIA): a digital, customised and freely accessible financial assistant,

THE DIGITISED PERSONAL LOAN: a digital solution for the granting of personal loans,

LEASE PLUS: all-inclusive car leasing for retail customers.



Spuerkeess is also continually expanding its range dedicated to sustainable products, and particularly “green” products. After launching the Lux-Bond Green product in 2019, the Bank has been offering the Lux-Equity Green product since 2020, which has enjoyed considerable success since it was launched. At the same time, the “Alternative Savings Account”, created in collaboration with Etika asbl in 1996, is being reconceptualised to ensure the more efficient re-investment of available funds.

More detailed information about sustainable products and the outlook for this field are presented in part III of this report in the chapter “Structuring financing solutions to support our customers in their transition to sustainability”.

Lux-Bond Green

Lux-Equity Green

Alternative Savings Account

OUR AMBITION

PART II



TO BECOME A TRANSITION ENABLER

Spuerkeess' role is defined through its social and economic mission, from which its main values may be derived. According to the "Spuerkeess 2025" strategic plan, these values are "A focus on the customer", "A high quality of service", "Stability" and "Support for the country's economy".

As part of its "Sustainable Development 2025" strategy, Spuerkeess has chosen to adopt a "Transition Enabler" strategy, whose purpose is to raise awareness in, persuade 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:

- the **Climate change** (by gradually aligning with the Paris Climate Agreement, the EU Action Plan for Sustainable Finance, and the Luxembourg Integrated Energy and Climate Plan),
- the **digitalisation of the Bank and its contribution to the digitalisation of the Luxembourg economy**,
- the social inclusion through **education and awareness-raising** for all our communities. Spuerkeess can encourage the stakeholders within its sphere of influence to gradually shift towards new business models and sustainable companies.

Being aware that its **transformation into a sustainable bank is a long-term goal**, Spuerkeess must succeed in the short term in:



ENGAGING

Promoting an internal sustainability culture among all our employees,

DEVELOPING

Changing the role of bankers by developing sustainability expertise in order to advise customers based on their social and environmental challenges and interests,

PARTNERING

Engaging with relevant stakeholders (suppliers, customers, scientists, energy experts, associations, etc.) to jointly develop innovative projects facilitating the transition towards a sustainable economy,

REINFORCING

Gradually improving the environmental, social and governance performance of our core business (financing, investments, customer portfolios, etc.),

SAFEGUARDING

Implementing the sustainable finance regulations and directives issued by the various European institutions (ECB, EBA, ESMA and EU Taxonomy).

The public health crisis has highlighted the vulnerability of our societies and civilisations to pandemics. While the close interactions and connections between national economies were behind the rapid global spread of the COVID-19 virus, global warming and biodiversity loss have amplified the scale of the pandemic.

The COVID-19 experience has put our society and economy to the test, and it is important to draw the right conclusions with regard to lifestyle and the way in which we carry out economic activities: Now more than ever, Spuerkeess is convinced that sustainable development is the key to ensuring the healthy and stable growth of our economy and our society. The Bank believes that it has a responsibility to make a significant contribution.

“ The integration of ESG factors into financial decision-making is crucial to promote sustainable banking and foster long-term wealth creation. Science plays a major role in assuring that ESG strategies are based on reliable data and properly consider double materiality, meaning how climate and environmental risks are impacting the finance sector and vice versa. In my role as Science and Sustainability Advisor, I work with all key actors at Spuerkeess Group to design solid internal ESG frameworks that maintain both operability and follow science-based best practice standards. ”

Dr Kim Schumacher, Professor of Sustainable Finance and ESG at the Tokyo Institute of Technology

OUR CHALLENGES, IMPACTS AND COMMITMENTS: HOW ARE WE GOING TO TRANSFORM OURSELVES INTO A SUSTAINABLE BANK?

OUR CURRENT AND FUTURE CHALLENGES:

Becoming a sustainable bank is a process that requires rigorous planning and an investment in the financial and human resources needed to meet the many intra- and inter-sectoral challenges. In this vein, over the next year few years Spuerkeess will focus on developing its performance in the following areas:

CLIMATE CHANGE

gradually improving the climate and environmental performance of its banking activities (loans, investments, customer portfolios, etc.).

SOCIAL RESPONSIBILITY

continuously developing its employees' expertise and promoting social inclusion through financial education and by raising awareness of sustainable development.

VALUE CREATION

engaging and working together with external stakeholders such as suppliers, customers, scientists and energy experts, to support the transition towards a sustainable economy.

GOVERNANCE AND ETHICS

promoting a culture of organisational agility and resilience.

IDENTIFYING OUR SUSTAINABILITY IMPACTS

When defining its material issues, the Bank drew on a risk analysis of its current and/or future significant impacts, defined according to its commercial activities, the sectors that it supports and the regions where its customers operate.

The methodology used in this analysis is based on the bank portfolio impact analysis tool ("Portfolio Impact Tool") provided by the UNEP FI, and on the four factors required when undertaking an impact analysis, namely the scope, the exposure scale, the context and relevance, and the intensity of the impact. More detailed information is provided in part IV of this report.

This approach was correlated with our materiality matrix, prioritising nineteen potential social responsibility issues. The purpose of the materiality analysis is to identify, select and rank the priority environmental, social and governance themes and issues to be included in our Bank's sustainable development strategy.

These potential issues are taken from the "Global Reporting Initiative" (GRI) Sectoral Disclosures for Financial Services framework and from a sectoral benchmark.

Internal interviews, surveys and workshops, led by a third-party expert with the participation of a broad panel of business line and support functions, were used to measure the potential impact on the Bank's performance and the stakeholders' vulnerability for each of the issues.

Stakeholders' expectations were able to be defined through internal interviews with employees who are in regular contact with the various stakeholders. This internal analysis was supplemented by a survey of our customers and suppliers.

The methodology for prioritising our stakeholders that we used to define the engagement levels and methods for each stakeholder group is based on the AA1000 SES principles.

In order to expand our financial risk analyses to cover non-financial risks, we worked with a third-party climate and environmental science expert, which allowed us to develop a better understanding of non-financial factors and the financial risk inherent in them ("principle of dual materiality").

Through this collaboration we were able to establish an internal methodology for the assessment of the environmental, social and governance (ESG) risks for the companies and countries to which Spuerkeess is exposed.

This proprietary non-financial risk analysis methodology is derived from the SASB standards and will be used to assess the overall risk when the Bank's investment and lending strategy is defined.

An analysis of the credit portfolio at national level allowed us to identify the construction sector as the most representative in our accounts. Assisted by a third-party expert, we have developed a questionnaire that will be appended to analyses of loan applications and will ultimately determine the ESG score of each loan.

This questionnaire is based on the ISO 26000 social responsibility principles, the eligibility criteria defined by the EU Taxonomy, LENOZ certification and the GRI indicators for the assessment of non-financial performance.

These exercises enabled us to identify the social responsibility risks and issues that are a priority and important for the Bank's sustainable growth, and to position our ambition to act as a "Transition Enabler".

"Spuerkeess' initiatives promote an environmentally-friendly economy. We are pleased to support them in their efforts to facilitate the transition to a green economy."

Julien Solvi, Director of energieagence

OUR STRATEGIC ESG COMMITMENTS TO BECOMING A SUSTAINABLE BANK AND OUR CONTRIBUTION TO THE SUSTAINABLE DEVELOPMENT GOALS (SDGS)

Our ambition to become a “Transition Enabler” is reflected in our sustainable development strategy. The table below presents the current and future challenges that we face as a bank, our ambitions and how these will enable us to contribute to the Sustainable Development Goals (SDG). The priority issues and the stakeholders involved are presented in detail in the following chapters.

Our strategic focus is on the commitments that have the biggest impact and for which we have the greatest potential to contribute to change. The commitments presented in the table below are the result of the consultation of our stakeholders, which took place at the end of 2020. The impact analysis conducted by the Bank in accordance with the Principles for Responsible Banking (PRB) also identified two additional themes as priorities, namely “Financial education/Raising of awareness of sustainable development” and “Digitalisation and innovation”. The consultation and impact analysis exercises are presented in detail in part IV of this report.

	Climate change	Social responsibility	Value creation	Governance and Ethics
MAIN SDGS IMPACTED	SDG 7 Affordable and clean energy SDG 11 Sustainable cities and communities SDG 12 Responsible consumption and production SDG 13 Climate action	SDG 3 Good health and well-being SDG 4 Quality education SDG 10 Reduced inequalities	SDG 8 Decent work and economic growth SDG 9 Industry, innovation and infrastructure	SDG 5 Gender equality SDG 16 Peace, justice and strong institutions SDG 17 Partnerships for the goals
AMBITION	Facilitating the environmental transition	Putting people first	Towards a sustainable economy and being a driver of employability	Being an "Employer and Bank of Choice"
"PRIORITY" COMMITMENTS	Developing products/services that promote the environmental transition (p.24-29) Promoting the environmental transition and supporting our customers in this process (p.24-29)	Developing products/services that encourage social inclusion (p.24-29) Training and professional development (p.30-31) Financial education/raising of awareness of sustainable development (p.32-33)	Guaranteeing the Bank's long-term profitability (p.36-37) Digitalisation and innovation (p.38-41)	Developing dialogue with stakeholders (p.42-44) Adopting ethical behaviour towards stakeholders (p.46-47) Protecting the customer's interests and personal data (p.46-47)
"FULFILLED" COMMITMENTS	Choosing sustainable and reusable materials (p.20-23) Reduction of energy consumption and emissions (p.20-23) Reduction of water consumption (p.20-23) Efficient waste management (p.20-23)	Importance placed on employee health (p.34-35) Measures to guarantee safety in the workplace (p.34-35)	Choosing local and responsible suppliers (p.9) ¹	Transparency regarding activities, products and services (p.46-47) Measures to guarantee employee well-being in the workplace (p.34-35) Equal opportunity in recruitment and promotion (p.34-35)

¹See the breakdown of value in “We create value for the economy and society”.
Items that are at the same colour are covered in the same chapter.



OUR RESPONSIBLE GOVERNANCE

Our ambition can only be achieved through the commitment and participation of our entire organisation. Our employees demonstrate their commitment and support across our business lines on a daily basis. In 2020, we reinforced the Bank's sustainable development governance structure in order to capitalise on expertise and put our decision-making on a formal footing.

CODE OF CONDUCT

Spuerkeess ensures the implementation of the Staff Code of Conduct, which brings all the Staff together in a single community of values based on human rights principles, and stresses the importance of confidentiality, data protection, the management of conflicts of interest, the combating of corruption, and the combating of money laundering and terrorist financing.

The status of Spuerkeess and its Staff guarantees the principle of non-discrimination on the grounds of gender, religion or beliefs, disability, age, sexual orientation and race or ethnicity. This status also underlines the principles of equal pay between men and women, access to training and equal opportunities for professional promotion. The Bank undertakes to promote diversity to both its employees and the governing bodies.

Based on the Staff Code of Conduct, an internal alert (whistleblowing) mechanism has been introduced in accordance with the applicable legal requirements. Through this mechanism members of Spuerkeess' Staff can confidentially report any problems or negligence to the person designated for handling whistleblowing, such as infringement of a law, a regulation or the Staff Code of Conduct.



ADOPTING STANDARDS AND ADHERING TO INTERNATIONAL PRINCIPLES

In order to promote transparency in its reporting, the Bank has applied the GRI standards since 2018 and signed up to the UNEP FI's 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.

INTERNAL GOVERNANCE

The **Board of Directors** defines Spuerkeess' strategic guidelines and ensures that they are implemented by the Executive Committee.

The **Executive Committee** is responsible for the Bank's day-to-day management and implements the strategic guidelines defined by the Board of Directors.

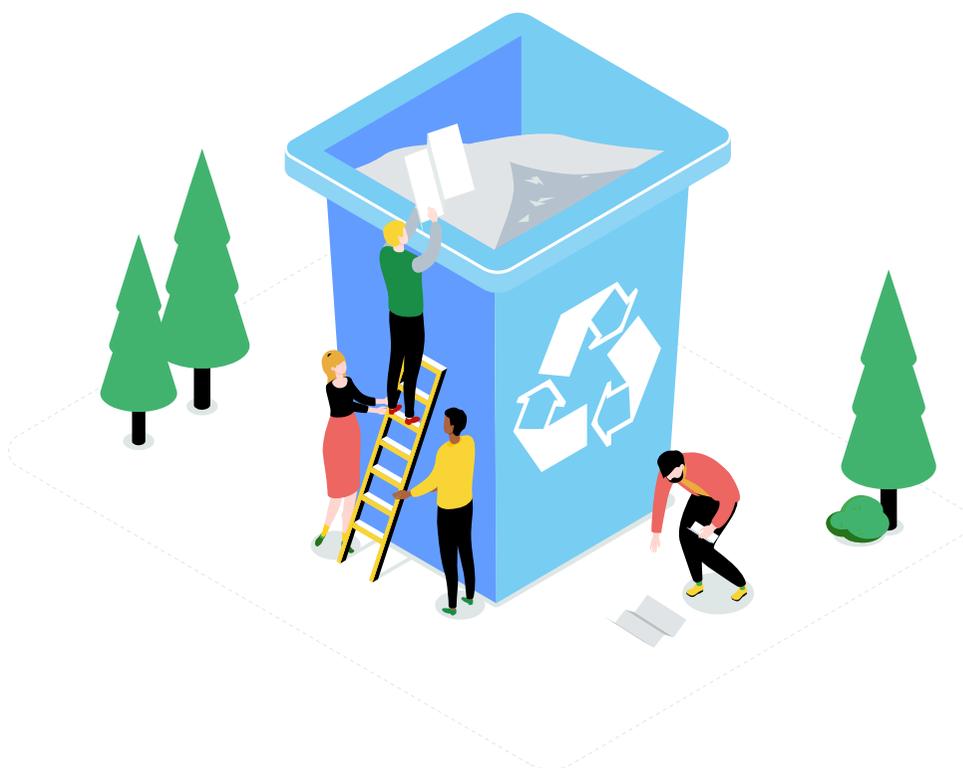
The **Sustainable Development Committee**¹ ensures that the objectives of the Bank's sustainable development strategy are met, and the objectives of the action plan that is derived from it. It regularly reports to the Executive Committee on the Bank's progress with the implementation of the commitments made by it. Due to the cross-business nature of the sustainable development strategy, this committee includes representatives from most of Spuerkeess' departments (sales, support and control functions). It also oversees the Bank's exclusion policy.

An **Expert Group** from the Sustainable Development Committee will play a central role in the arbitration of any controversies that may arise from the exclusion policy or in connection with ethical concerns in general.

The **Sustainability Office** assists the Sustainable Development Committee with the implementation of the sustainable development policy. This entity ensures the consistency of and compliance with methodologies. It will be in charge of supervising the transposition of sustainable development regulations and will participate in working groups outside the Bank.

The **Risk Management** function will increase its involvement over time as a result of regulatory sustainable finance and social responsibility requirements. The Risk Management function will gradually expand the scope of its socio-environmental risk mapping to all of the Bank's operations.

¹ The CSR Committee has been replaced by the Sustainable Development Committee in November 2020



THE BANK'S STAFF

Staff engagement is essential to the success of the Transition Enabler strategy. In order to promote an internal sustainability culture among its Staff and give them the appropriate expertise to fulfil the role of Transition Enabler, the Bank will inform and involve them by various means, through:

- the main business line managers' collaboration with the Sustainable Development Committee,
- regular reminders via its website of the main guidelines governing its sustainable development strategy (Transition Enabler and "Turning Risks into Opportunities"),
- the presenting of sustainable development actions and the reason for these actions,
- the ESG correspondents (of which there are currently 67) designated within the banking departments and branches who pass on the ESG ideas and opportunities put forward by their fellow team members,
- general ESG training courses,
- "Turning Risks into Opportunities" training aimed at understanding the "ESG" challenges facing the Bank's customers with regard to the transition,
- the inclusion of ESG criteria in the Bank's processes and procedures, and in customer advice (housing loans, wealth management, etc.).

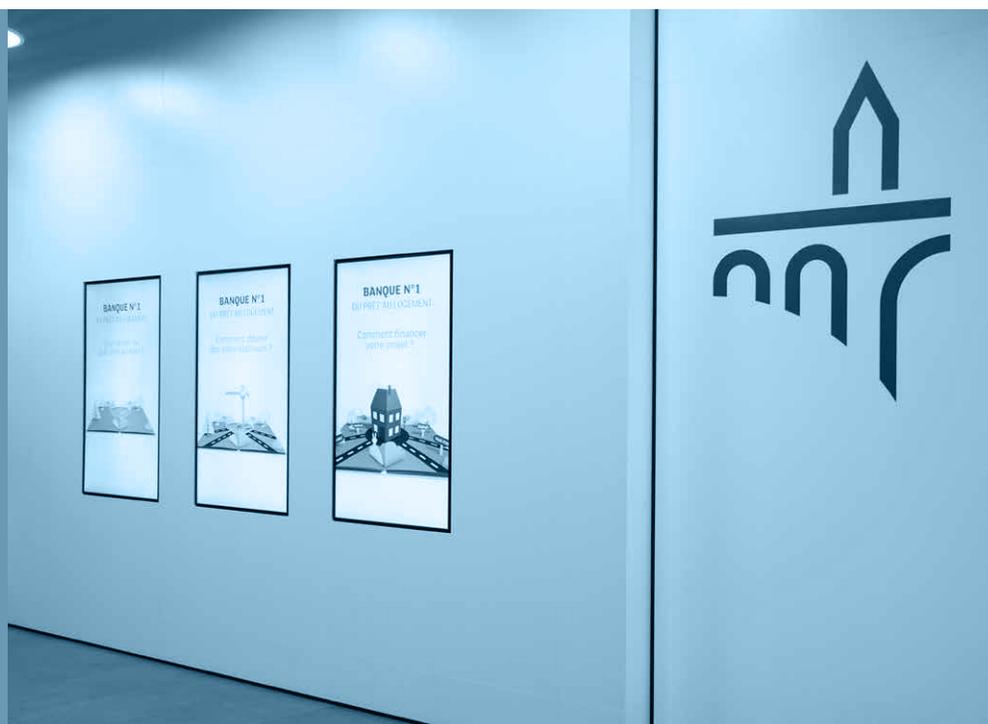


"Our partnership with Spuerkeess, which will soon have spanned 3 decades, is based on our environmentally-responsible commitments, practices and performance. In the words of Rabelais, progress through science without conscience is but the ruin of the soul. Let's take an active approach to sustainable development, as a guarantee of excellence and longevity for our planet."

Sylviane Soavi, Director of Atalian

OUR ACHIEVEMENTS IN 2020

PART III



CLIMATE CHANGE: FACILITATING THE ENVIRONMENTAL TRANSITION

IMPROVING THE BANK'S CARBON FOOTPRINT

Why is this important?

Acting as an environmentally responsible company means investing in the reduction of our own environmental footprint. As we become aware of the issues involved we are following the same path as some of our customers, allowing us to support those who wish to embark on this process. Our initiatives will make us credible and able to present tangible results and serve as an example.

Impacts et risques

Our direct environmental impact is mainly linked to the energy performance of the buildings in which we operate. Note that the Bank's real estate portfolio includes branches organised in a decentralised network, office buildings and some sites with historically important architecture. Given that our real estate is responsible for 73% of our total CO₂ emissions, we will need to focus our efforts on reducing the corresponding environmental footprint as much as possible.

Another source of CO₂ emissions is the purchase of consumable products and services, including single-use paper and plastics and waste production.

Management practices introduced to limit impacts

Environmental footprint of our buildings

While considerable efforts have been made since 2008 to reduce energy consumption (reducing of annual energy consumption by around 45%), the potential for additional reductions is only very marginal due to the specific architectural nature of our buildings. Our electricity consumption has also been carbon neutral since 2019, when the Bank decided to only purchase electricity from renewable sources.

Environmental footprint of our consumption

The continual digitalisation of our internal processes, underpinned by the development of online banking and digital communication channels, is allowing us to continually reduce our paper, toner and cartridge consumption. Spuerkeess has committed to reducing its consumption of disposable plastics, and to refusing to purchase or distribute the items that contribute the most to plastic pollution, such as plastic cups, non-reusable plastic plates, utensils, straws and stirrers, non-reusable food containers, plastic bottles and non-reusable plastic bags. Spuerkeess is in this way supporting the development of sustainable solutions in line with the circular economy and the principles of: Refusing - Reducing - Reusing - Recycling.

Control system to assess effectiveness

In 2020, we were able to carry out our first carbon assessment with the help of energieagence. This assessment allows us to assess the carbon footprint of all our activities and buildings using a recognised greenhouse gas calculation methodology. We covered scopes 1, 2 and 3 in this calculation in accordance with the GHG Protocol international standard.



Achievements in 2020

Environmental footprint of our buildings (scopes 1 and 2)

For comparison reasons, in this report we apply for the last time the internal method used since the first publication in 2018, which includes direct emissions related to fuel consumption (scope 1), and indirect emissions related to electricity and steam/heating consumption (scope 2).

According to this internal method, the electricity and heating consumption is as follows for the last three reporting periods (in tonnes of CO₂):

Head office and branches	2018	2019 ²	2020	2019/2020
Electricity ¹	2.841	0	0	-
Fuel oil/gas	1.938	1.990	1.885	-5,3%
Total	4.779	1.990	1.885	-5,3%

¹Emissions in keeping with the scope 2 market-based method

² Since 2019, procurement of electricity solely from sustainable sources

New method for determining CO₂ emissions: The Carbon Assessment

The carbon assessment will replace our current internal method starting from 2021. For 2020, the result of our assessment (in tonnes of CO₂ equivalent) was:

in Teq CO ₂ ¹	2020 ²
Scope 1 direct emissions	1.843
Emissions due to the combustion of natural gas	1.536
Emissions due to the use of company vehicles	70
Emissions due to refrigerant use	237
Scope 2 indirect emissions (market-based)³	75
Emissions due to the purchase of electricity	64
Emissions due to the purchase of district heating	11
Scope 3 other indirect emissions	2.612
Emissions due to products and services purchased ⁴	2.172
Fuel and energy-related emissions	326
Emissions due to waste treatment	114
Total (market-based)	4.530



The methodology takes into account direct emissions related to fuel consumption (scope 1), indirect emissions related to electricity and steam/heating consumption (scope 2), and emissions related to products and services purchased and waste produced (scope 3).

¹ The definition of Spuerkeess' activity data, the data collection process and the CO₂ emissions calculated have been verified by the external company energieageance

² For the reporting period from 1 January to 31 December 2020, the 2020 carbon assessment method[®] (version 8.5) was applied to calculate carbon emissions. This is based on international standards, such as the GHG Protocol and the ISO 16064 and 16069 standards.

³ These emissions are deduced from electricity consumption and are in keeping with the scope 2 market-based method defined by the GHG Protocol standard. The emission factor was calculated based on the Ecomix product's life cycle analysis.

⁴ The "Emissions due to products and services purchased" includes office and facility management materials.

Environmental footprint of our consumption

Although the digitalisation and automation of our processes has been under way for a few years now, it accelerated in 2020. In order to comply with the safety measures taken to combat the COVID-19 pandemic, we have strongly promoted working from home and increased our digital contacts with our customers. This development led to a sharp reduction in paper consumption and waste production in 2020:

Consumable (Head Office and branches)	Unit	2018	2019	2020	2019/2020 (by %)
Printer paper	Sheets	14.362.500	13.165.000	8.185.000	-38%
Account statement paper	Sheets	9.388.129	8.278.333	5.279.656	-36%
Household waste	Litres	1.643.698	1.627.530	1.361.211	-16%
Paper waste	Litres	1.739.043	2.150.700	1.519.781	-30%
Valorlux waste	Litres	602.482	602.989	404.485	-33%

In terms of water consumption, we have introduced a close monitoring of the Head Office buildings, where we have the greatest leeway to make any potential changes. While water consumption was fairly constant in 2018 and 2019, it fell by around 22% in 2020, mainly due to the COVID-19 lockdown:

Water consumption in m ³ /year	2018	2019	2020	2019/2020 (by %)
Head Office buildings	22.678	23.096	18.054	-22%

In recent years, many improvements have been made to make water consumption more efficient, particularly relating to chilled water production. Note, however, that water consumption is heavily influenced by external factors, such as the weather, the number of staff present on the Bank's premises and the number of visitors to our two fitness lounges, which are one of the largest sources of consumption.

Other significant initiatives in 2020

Spuerkeess, with the help of Shime, collected 127.320, or 32kg, of cigarette butts at its premises, which will be recycled and converted into street furniture.

In January 2020, Spuerkeess joined the "Zero Single-Use Plastic" movement with the aim of significantly reducing disposable plastic consumption. Spuerkeess has moved more towards the use of environmentally-friendly consumables to reduce negative environmental and health impacts, for example by procuring:

- 5 million biodegradable C5 envelopes, whose packaging is also biodegradable,
- 100.000 cash transport bags that are 60% recyclable,
- 40.000 fully recyclable keep safe bags,
- 20.000 fully recyclable pens, whose ink is also recyclable,
- all of our copying and printing paper is carbon neutral (certified by Natural Capital Partners®)¹.

Objectives for 2021

- Replacing our method for calculating greenhouse gas emissions with the carbon assessment methodology,
- Expanding the scope of the carbon assessment by incorporating new indicators,
- Installing photovoltaic panels on the roof of the "Rousegäertchen" building (Place des Martyrs).

¹ <https://www.storaenso.com/en/products/paper/office-papers/multicopy-zero>



STRUCTURING FINANCING SOLUTIONS TO SUPPORT OUR CUSTOMERS IN THEIR TRANSITION TO SUSTAINABILITY

Why is this important?

Our financing plays a vital role in economic flows and enables the completion of many sustainable projects. Our customers include those who have the commitment, capacity or opportunity to affect environmental and social impacts, and will convey values other than financial value alone through their projects. We will partner our customers who are active in bringing about a transition in their business sectors, for example in the energy, construction, transport, agriculture, medical care and inter-generational assistance service fields, and customers who are looking to improve the handling of their waste or for alternative solutions to reduce their raw material needs. However, we also act as an awareness-raiser, educator and enabler for customers who are willing to be assisted by the Bank in their transition and the improvement of their environmental and social footprint. Given the increasingly urgent need for sustainable business models and resilient economies, we are committed to structuring financing solutions to support this transition.

Impacts and risks

Sustainability risks (or “ESG risks”) may include a combination of environmental issues, such as the deterioration of biodiversity, the physical impacts of climate change, deforestation, contamination by hazardous waste, water scarcity and air pollution; social issues such as work and human rights, occupational health and safety and delocalisation; and ethical issues such as diversity, equal opportunities and the combating of corruption.

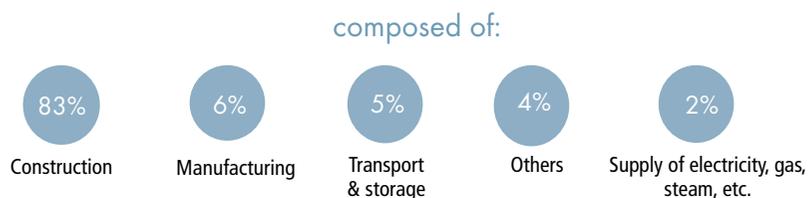
The transition risk may negatively affect the valuation of a company or a banking firm due to environmental regulations potentially changing to a debtor’s disadvantage (e.g. carbon tax), or a technological lag implying the devaluation of an asset.

As a bank, credit risk, reputational risk, solvency risk and regulatory non-compliance risk are now strongly affected by these sustainability risks. Our financing and investment decision-making processes must take into account these environmental, social and ethical factors. This change in the scope of our priority risks obliges us to take a longer-term approach.

By financing the sectors that are essential to the functioning of our society, such as the construction, transport and energy sectors, banks indirectly create a negative impact on the environment and the climate by maintaining the financing of sectors that generate significant greenhouse gas emissions.

According to Spuerkeess' exposure to these "Climate sensitive" business sectors at 31/12/2020, the construction sector is the sector to which we are most exposed through our credit portfolio:

Climate sensitive sectors **42%** of our assets balance sheet



To determine the Bank's indirect climate impact, we must assess greenhouse gas emissions (GHG Scopes I, II and III) and the carbon intensity of our credit and securities portfolio. This will allow us to quantify the scale of our own impact and ensure that our transition strategy is aligned with the Paris Agreement's targets. We will then determine the transition and climate risks associated with our assets and counterparties by business sector.

Management practices introduced to limit negative impacts

The European Commission's action plan calls on the banking sector to structure financial products that have the requisite ESG characteristics, to redirect its capital towards projects that make a positive contribution to the combating of climate change, and to raise its customers' awareness of sustainable finance.

ESG assessment of our issuers

In 2020, Spuerkeess focused on developing an internal methodology for the assessment and comparison of companies and sovereign issuers, the aim being to determine and assess their positive and negative ESG impacts in order to arrive at an overall ESG rating for each issuer. This methodology will be extended to other issuers and will take into account the specific characteristics of the various instruments (bonds, sustainable bonds, equities, investment funds, etc.). The Bank has conducted a review of the various services offered by ESG data providers with a view to industrialising the ESG information collection process.

Our methodology must be able to draw on a wide range of data, and guarantee that the data are traceable, the verification process is able to ensure their quality and they are compatible with the sustainable finance standards and regulations (the EU Taxonomy, the EU Directive on sustainability-related disclosure in the financial services sector, the "United Nations Global Compact" initiative, etc.).

ESG assessment of our construction sector financing

The Bank has an important role to play in promoting energy renovations. The development of a questionnaire intended to collect ESG data about our customers and their projects in connection with loan applications for housing or renovation projects will now give us a better understanding of the current positioning of our customers in order to provide them with appropriate environmental transition-related advice.

Awareness-raising and supporting of customers

Spuerkeess wishes to go further in its incorporation of sustainability issues than just conducting climate risk analyses, and to change the role of bank advisers. To help its customers to become more sustainable, while making them aware of the benefits of more environmentally-friendly alternatives, the Bank has introduced a "One Stop Shop" that combine:

The **raising of customers' awareness** that they can carry out energy renovations on their homes under preferential terms.

The **promotion** of the state and private grants that customers are eligible for so that they can gain an overall view of their projects from a single intermediary.

Promotion of electromobility

Spuerkeess promotes electromobility by applying advantageous terms to the financing and private leasing ("Leaseplus") of electric light vehicles. In order to ramp up the electromobility movement, Spuerkeess has gone into collaboration with the ACL (Automobile Club of Luxembourg), Enovos and Leaseplan to promote electromobility on a large scale.

Achievements in 2020: Financing products

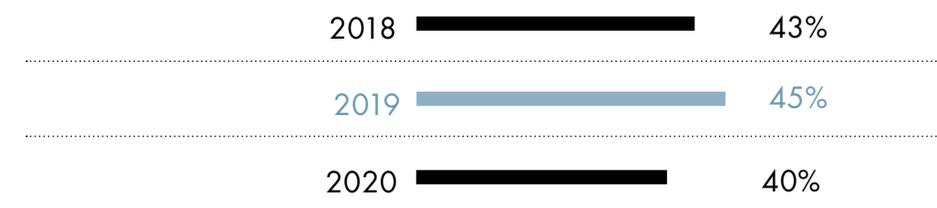
Financing of energy-efficient housing

The environmental impact of housing is assessed according to its energy class. Financing energy class A and B housing is an effective way to gradually reduce exposure to climate risks.

Over the last 3 years, the financing of class A and B housing has accounted for an average of 43% of total housing financing.

Our objective is to use the questionnaire that has been developed to collect ESG data from our customers as a basis for helping our customers to move towards more sustainable projects so that the average energy class of the housing financed by the Bank continually improves, through its financing of class A/B housing and/or through the incorporation of circular components.

Proportion of energy class A and B housing financing



Developing a sustainable economy

Looking solely at a few major sustainable development projects (over the last two years), the financing (in EUR million) breaks down as follows:



Renewable energy and other environmental projects



While "Sustainable infrastructure" financing includes the financing of sustainable car fleets and the associated infrastructure, the financing of "Renewable energy and other environmental projects" includes the financing of wind farms, the installation of solar panels and wastewater treatment plants.

In 2020, Spuerkeess also contributed to the completion of various construction projects in the social and socio-educational housing field by offering the necessary financing of a total amount of more than **EUR 200 million**. The main projects were as follows:

- low-cost social housing for rent,
- the construction of a primary school,
- the construction of a school with day centres and of a school with a nursery and media library,
- the construction of a building for special-needs education.

One Stop Shop

The Government has introduced a number of measures to support a green and sustainable economic recovery as part of the "Neistart Lëtzebuerg" programme. Against this backdrop, Spuerkeess launched a campaign to make customers more aware of the possibilities for financing energy renovation and investment projects.

Thanks to the Bank's campaign, which offered special terms, loan applications for projects of up to EUR 100.000 almost tripled, and increased by more than 25% for larger energy renovation projects, over the period from September to December 2020.

	2019 ¹		2020 ²		Variation	
	Nbr	Amt	Nbr	Amt	Nbr	Amt
< EUR 100.000	30	0,8 mio	86	2,2 mio	+186,7%	+194,1%
> EUR 100.000	312	45,0 mio	338	56,7 mio	+8,3%	+26,0%

¹ 14/09-31/12/2019

² 14/09-31/12/2020

Green mobility

Spuerkeess is supporting the transition to environmentally-friendly mobility by offering products dedicated to the financing of electric cars. The Bank is therefore keeping pace with the public's increasing interest in electric cars, which is reflected in the growing number of these vehicles registered in Luxembourg.

Electric light vehicles in...	2019	2020
N ^{br} of light vehicles financed (private leasing included) by Spuerkeess	52	179
Share of all light vehicles financed by Spuerkeess	0,8%	2,8%
Share of light vehicles registered in the country	0,8%	2,4%



(Source SNCA : The share of the cars registered in Luxembourg reflects the ratio of the electric cars purchased by private individuals to the total sales of light vehicles observed in 2020)

Objectives for 2021

- Advising at least 2.300 customers about energy-related grants,
- ESG questionnaires to be completed in connection with loan applications for new housing,
- increasing of the financing of class A and B housing so that this category of housing increases by an annual average of 3%,
- financing of at least 250 electric cars.

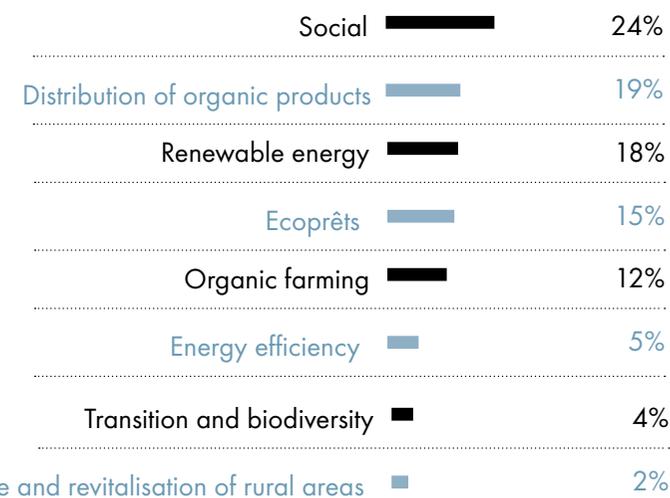
Achievements in 2020: Sustainable product performance

Etika asbl

Since 1996, Spuerkeess has offered its customers the "Alternative Savings" product, for which the amounts saved in the alternative savings account are intended for the financing of projects with an ESG component, through the granting of reduced-rate loans.

To ensure that the funds made available by customers are used as efficiently as possible, the Bank and Etika have been actively holding discussions since the end of 2020 aimed at developing alternatives, particularly relating to the financing of "social digitalisation", covering areas such as working from home and upskilling.

At 30 June 2020, 1.093 savers had deposited EUR 55 million (a sum increased by a EUR 1,24 million initial endowment from Spuerkeess), 62% of which has now been converted into loans for various projects:



The mechanism has financed more than 210 projects since its creation.

Lux-Bond Green

Since 2019, Spuerkeess has offered its customers the “Lux-Bond Green” product, which consists of securities selected according to ESG criteria. This new “Lux-Funds” sub-fund complies with green bond principles such as the “Social Bond Principles” and the “Sustainability Bond Guidelines”. It also complies with Article 9 of the SFDR (Sustainable Finance Disclosure Regulation).

The product has been a big hit with our customers, as shown by the significant increase in the fund’s net assets under management over one year.

Lux-Bond Green

Net assets at 31/12/2019 EUR 16,3 mio Net assets at 31/12/2020 EUR 42,9 mio +163%

Lux-Equity Green

In 2020, Spuerkeess launched its new “Lux-Equity Green” product, whose objective is to achieve capital growth while contributing to the energy transition. The sub-fund invests in companies that wish to improve their environmental footprint while guaranteeing their compliance with social criteria. Also note that the sub-fund meets the criteria recommended by the EU Taxonomy (a system of classification of sustainable activities) and the requirements of Article 8 of the SFDR.

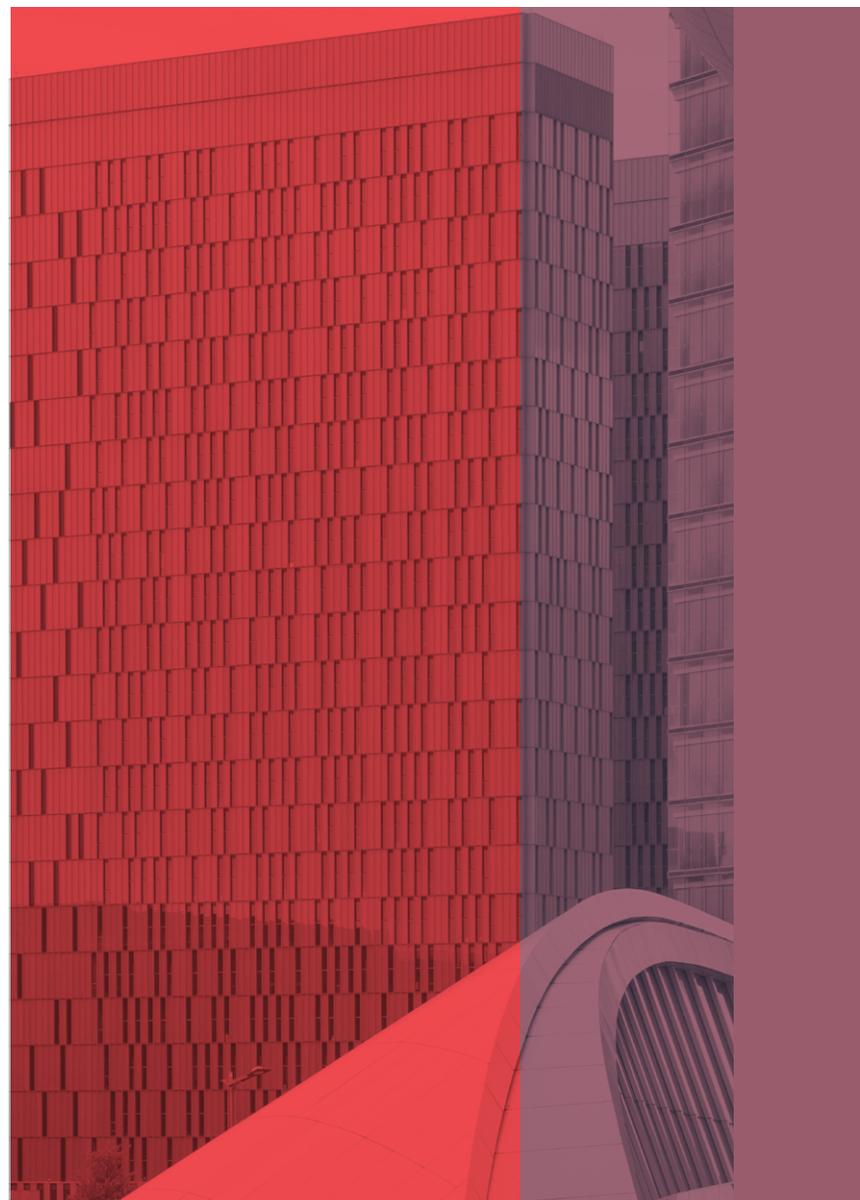
This product has also been very popular with our customers, recording an appreciable amount of net assets from the first year of its launching.

Lux-Equity Green

Net assets at 31/12/2020 EUR 29,2 mio

Objectives for 2021

- Developing our investment advice in order to make our customers more aware of the sustainable aspect of their financial products,
- developing indicators in line with the EU Directive on sustainability-related disclosure in the financial services sector and the Regulatory Technical Standards (“RTS”),
- incorporate the European Taxonomy into investment policy criteria.



SOCIAL RESPONSIBILITY: PUTTING PEOPLE FIRST

TRAINING AND PROFESSIONAL DEVELOPMENT

Why is this important?

Through training our employees are able to acquire the knowledge they need to apply our policies and standards consistently. By investing in the personal and professional development of our employees, Spuerkeess will also be able to respond to the development of its business lines.

All our employees are confronted with the rapid development of tools (digital transformation) and knowledge (regulatory changes). We want to provide them with the support that they need to feel at ease with these issues and continue their career development internally. This ensures their well-being within their teams while allowing everyone to participate in the achievement of the Bank's objectives.

Impacts and risks

Continuous investment in the development of our employees' expertise is essential for Spuerkeess. The main challenge is anticipating the expertise that will be needed in the future in order to be able to organise appropriate training plans.

The Bank understands that it is its responsibility to ensure the future employability of all its employees, just as it is responsible for the Bank's profitability and durability.

Management practices introduced to limit impacts

Training programmes are offered to all our employees, regardless of the position that they hold, so that we can remain at the forefront of knowledge and expertise.

Training needs are identified based on individual career interviews, resulting in the publication of a training catalogue at the beginning of the following year. In addition, the professional development team organises training courses to meet specific needs, such as the transposition of new regulations.

The training programme is offered on a face-to-face basis, and the range of training courses available is expanded by our S-Learn "Learning Management System", which we can use to provide remote teaching.

Control system to assess effectiveness

The Human Resources unit's training division monitors the training programme from year to year, as well as:

- the number of hours of training by wage group and gender,
- the number of individual interviews,
- the percentage of participants in relation to the type of training courses proposed.

Achievements in 2020

Training programme

In 2020, our employees completed +/- 37.000 hours of training, compared with +/- 81.000 hours in 2019. As a result of the restrictions linked to the public health crisis, most of the actions planned at the beginning of the year had to be cancelled. Over the course of the year, we made other remote training courses available through our "S-Learn" virtual training platform.

Essential courses such as regulatory training (on the "DAC6" law and "MiFID II"), and the training offered to newcomers as part of their induction, were organised in accordance with health and social-distancing measures.

Each employee received 17,53 hours of training in 2020, compared with 43,68 hours in 2019.

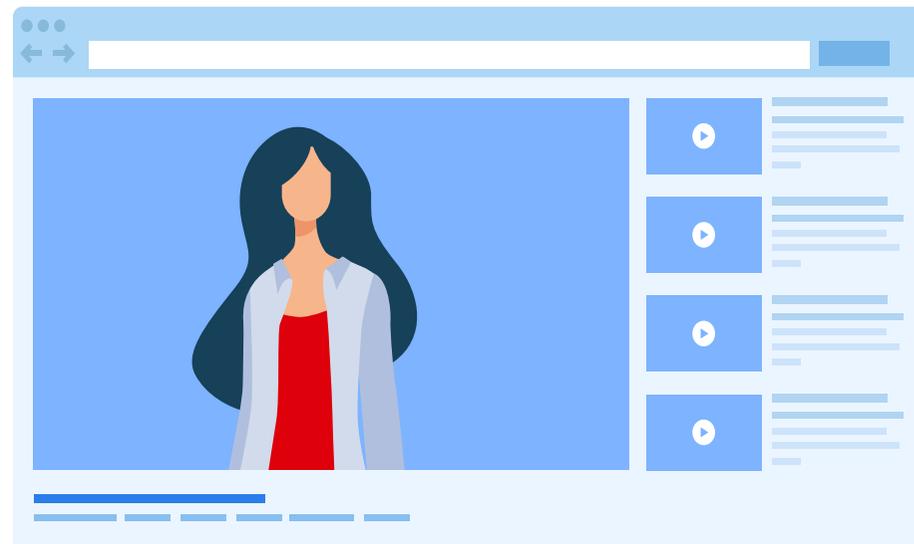
2018	2019	2020
35,72	43,68	17,53



Average number of training hours

Wage group ¹		2018	2019	2020
A1	M	48,89	51,21	39,34
	W	51,74	55,33	27,28
A2	M	65,24	74,82	15,27
	W	53,84	67,82	11,34
B1	M	31,90	42,21	40,42
	W	31,83	42,54	46,93
C1 and D3	M	16,17	21,49	4,96
	W	18,08	33,58	14,44

¹Wage group refers to the wage category determined by the employee's initial qualifications



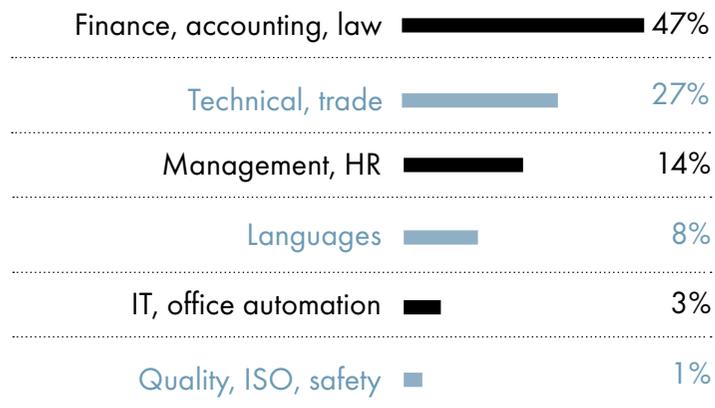
Leadership

In 2019, we launched a specific support programme for our managers, to develop cross-business leadership skills. In 2020, this resulted in the adoption of a new skills framework that will serve as the basis for all future HR processes.

Objectives for 2021

- The implementation of a new integrated IT solution and the introduction of the skills framework will enable the establishing of a continuous development approach based on the 70-20-10 model:
 - 70% learning on the job (projects, traineeships, transfers, working groups, etc.),
 - 20% support (mentorship, coaching, tutoring, etc.),
 - 10% training and information solutions (courses, e-learning, professional reading, etc.).
- The large-scale launch of the leadership training programme based on the skills framework.

Breakdown of training hours by category (including S-Learn):



Of which 7.202 hours of training via the S-learn platform, or 19%.

FINANCIAL EDUCATION AND RAISING OF AWARENESS OF SUSTAINABLE DEVELOPMENT

Why is this important?

The combating of financial exclusion is vital to making our world more sustainable. Having a bank account, having one month's savings, or knowing how to manage your savings to protect yourself against future events (moving, children's education or death) are fundamental to avoid financial distress or temporary periods of insecurity.

The "Labour and Social Cohesion Report" published by STATEC in October 2019 presents a review of social conditions and well-being in Luxembourg. This study shows that, in Luxembourg, 27,9% of households said they had difficulty making ends meet, and only 48,5% of these said that they would be able to deal with unexpected expenses.

The financial difficulties faced by some households in Luxembourg exclude part of the population from certain goods and services that are important to ensure full inclusion in society, and especially the possibility of building up savings.

Helping people to improve their financial position is a top priority for Spuerkeess. We believe that education, more specifically financial education, is a social skill that needs to be developed and creates real added value for our customers.



Our ambition is to actively contribute to making civil society more aware of future challenges, with a particular focus on financial and banking management themes and sustainability issues.

Impacts and risks

Financially educating customers and making them more aware of sustainability issues, and the challenges and opportunities that they present, allows the creation of a healthy customer-bank relationship in which each stakeholder understands the potential issues and benefits. The risk of financial losses, both for the customer and Spuerkeess, is limited when a collaboration is established on an equal footing with regard to financial and sustainability knowledge and expertise.

Management practices introduced to limit negative impacts

We need to share our in-house expertise to supplement traditional education and play our awareness-raising role in the pursuit of a sustainable and inclusive society.

We implement an awareness-raising and information programme in various ways, including:

- individual support from advisers,
- the publishing of articles on all our digital platforms,
- the organisation of conferences,
- the organisation of workshops and work sessions.

Control system to assess effectiveness

We use the following indicators to ensure the adequate monitoring of our financial education and awareness-raising programme and measure its success: :

- number of events organised,
- number of participants,
- number of publications and readers reached.

Achievements in 2020

In 2020, most of our financial education activities, such as our participation in the “Woch vun de Suen” and the “Schoulspuerfester”, and the organising of coding courses in collaboration with the “Code Club Luxembourg”, had to be cancelled due to the safety measures taken against the COVID-19 pandemic. We were unable to develop our sustainable development awareness-raising programme through conferences or other events for the same reason.

However, two of our employees contributed to the “Zuumer Academy”, which is an ABBL (Luxembourg Bankers’ Association) initiative aimed at facilitating the social integration and inclusion of vulnerable people through financial education with the help of various courses (on savings, payment methods, budget management, risk management, etc.) designed in partnership with the Ministry for Integration.

In 2020, we renewed our partnership with the ACEL (Luxembourg Association of Student Groups), having been their exclusive official partner for over 20 years. The collaboration with the ACEL consists of the distribution, in Spuerkeess branches, of publications issued by the association, such as the “Guide du Futur Étudiant” (Guide for Future Students), and the sharing of information about job openings within the Bank.

We also provided financial support for Luxembourg students in 2020 by granting 1.974 CEDIES (Higher Education Documentation and Information Centre) loans totalling EUR 15,2 million.

Over the year, we continued to take advantage of our presence on the Internet and social media to share useful information with our customers on various themes, relating to both our products and services and economic and financial news. In this way, we were able to reach nearly 3,5 million readers by publishing a total of 329 articles via our various communication channels:

Publications on...	Number	Views
Spuerkeess.lu	34	103.530
Facebook	131	1.461.963
LinkedIn	88	454.602
Instagram	50	1.366.944
Twitter	26	97.300

Objectives for 2021/2022

Bearing in mind that 2020 was uniquely challenging, we intend to resume our financial education and sustainable development awareness-raising activities by dedicating ourselves to a comprehensive programme of various activities:

- developing financial education-related programmes taking into account the services already available from our partners, such as the ABBL,
- sharing the initiatives already developed in connection with the ABBL “Financial Literacy” initiative on the Spuerkeess.lu website,
- informing and educating all generations about sustainability by promoting our alternative products and services and the “responsible consumer” concept.

Children

- Developing the digital and fun aspect with games, videos and competitions focused on savings, money and the Bank.

Young people

- Providing advice about academic choices (choice of high school subjects, choice of university, financing and CEDIES applications, etc.) and career paths (collaboration with our professional and self-employed customers, etc.),
- being present on the financial education platform created by the Ministry for National Education.

Working life

- Providing support before and after young people start their working lives (preparing of job applications, skills development, etc.),
- assisting with first-time purchases (car, furniture, first home, etc.)..

Adults

- Assisting with new purchases of movable and immovable property,
- advice on tax and regular income (investments).

WELL-BEING AND GOOD HEALTH IN THE WORKPLACE

Why is this important?

Our success relies on the expertise, commitment and unwavering support of our employees. Our employees are our main asset and our long-term success depends on them. Our responsible and sustainable approach to human resources management is based on Spuerkeess' 4 values:

- High service quality,
- Stabilité,
- Customer focus,
- Supporting the economy.

Working conditions, measures to improve the work-life balance and access to ongoing training all contribute to employees' satisfaction and their sense of belonging.

Impacts and risks

Intellectual capital is a key factor for success. Staff turnover may have a negative impact on intellectual capital, which may in turn affect the productivity and stability that Spuerkeess wishes to maintain in a changing environment.

A failure to promote occupational health and safety may also lead to accidents at work and an increase in absenteeism.

As we begin to assess the lessons learned from our initial response to the COVID-19 crisis, we remain very aware of the great uncertainty that remains regarding the coming months and years and how this is continuing to negatively affect the physical and mental well-being of our employees.

Management practices introduced to limit impacts

Our holistic approach to the development and engagement of our employees is based on 4 key areas: employment stability, equal opportunities, ongoing training and working methods that facilitate their personal development. We offer our employees:

- permanent employment contracts, most of which offer a status equivalent to state employees,
- a prudent recruitment policy that guarantees diversity and equal opportunities,
- a time-savings account enabling more flexible management of working hours,
- various part-time work arrangements: 50%, 75% and 80%,
- several schemes covering health-related expenses (mutual insurance, relief fund and group insurance from DKV),
- a programme of training on hiring and throughout their careers.

All physical safety matters are closely monitored by the "Groupe de Coordination de la Sécurité Physique (GCSP)", which assists the Executive Committee with the governance of activities related to the physical safety of property, all employees and other people present on the Bank's sites. The health and well-being of employees is addressed by various actions proposed throughout the year:

- training (particularly in the main work-related hazards),
- individualised support,
- health check-up programme,
- vaccination campaigns,
- S-Fit.

Control system to assess effectiveness

- Turnover rate,
- part-time work rate,
- results of the "Engagement, leadership and corporate culture" survey,
- number of employees vaccinated against seasonal flu,
- number of employees participating in the health check-up programme,
- number of employees participating in training.

Achievements in 2020

“Protecting our employees”

The changing nature and ongoing consequences of the public health crisis of 2020 have to a large degree dictated the type of measures that we have taken to protect our employees. We have prioritised their health and safety. Even more importantly, we want to prioritise their well-being:

- 2/3 of our employees have gradually been given the means to work from home. In April 2020, 45% of the employees worked from home, 20% worked on site and 35% were on standby or on (health, family or recreational) leave,
- at the same time, a crisis unit was formed, made up of the members of the Executive Committee and representatives of the units in charge of human resources, the BCP, IT, facility management and logistics as well as retail banking. A weekly discussion with staff representatives was also organised,
- a collaborative tool was set up to facilitate contact between teams that could not meet in person,
- support guides and/or remote training on working from home, team management and emotional balance were rolled out, to support our employees as much as we could

Staff numbers broke down as follows in 2020:

- 1.859 employees (1.073 men, 772 women), full-time equivalents: 1.664,
- 72 new hires (42 men, 30 women),
- turnover rate 4,52% (1,99% not including retirement),
- part-time work rate: 23,18%.

More detailed information is provided in the appendix (Appendix II) at the end of this report.

All employees are on permanent contracts, and the majority are covered by the advantageous provisions that come with state employee status and a wage agreement signed by the CGFP (Luxembourg General Confederation of Civil Servants) and the Bank in February 2019.

We maintained our commitment to diversity and inclusion by signing the IMS Diversity Charter in October 2020.

An “Engagement, leadership and corporate culture” survey was conducted in early 2020 with the following results:

- **81% of employees would recommend Spuerkeess as an excellent company to work for,**
- **83% are proud to work for Spuerkeess,**
- **87% see themselves still working for Spuerkeess in 2 years’ time.**

Objectives for 2021

- Developing a diversity and inclusion policy,
- repeating the “Engagement, leadership and corporate culture” survey,
- continuing the “Working from home” project,
- reviewing the external and internal recruitment process, ensuring greater selectiveness and a better match between applicants and jobs,
- the introduction of “Flexitime”, giving Staff greater flexibility to individually create a work-life balance that suits their own needs,
- subscription to a digital human capital management platform with the determining of the risk of chronic stress risk for all staff,
- financial participation in the Protea programme (for the therapeutic monitoring of emotional exhaustion),
- the health check-up will take place again at the ZithaGesondheidszentrum.



VALUE CREATION: MAKING THE ECONOMY SUSTAINABLE AND DRIVING JOB CREATION

GUARANTEERING SUSTAINABLE PROFITABILITY FOR THE BANK

Why is this important?

Spuerkeess is a bank that operates in symbiosis with Luxembourg's ecosystem. The Bank's success and longevity are closely correlated with the development of Luxembourg's economy and society.

The interdependence between economic sectors gives Spuerkeess significant leverage over the functioning of local companies. Whether through cash support, or the financing of new investments, our financing actions are able to strengthen companies' resilience at key stages in their development.

This makes a sustainable and resilient Luxembourg economy a prerequisite for the success and longevity of Spuerkeess' business model and vice versa.

Thanks to Spuerkeess' ties with local players across the board, our economic stability has a positive impact on the functioning of local companies (whether they are customers, partners or suppliers), on jobs and on Luxembourg's prosperity.

2020 was marked by a major public health and economic crisis for which we were not prepared. During this period we realised the importance of these ties every day in the field and that our long-term stability is vital.

Impacts and risks

Our leading position in real estate loans to Luxembourg residents requires us to assess the environmental and socio-economic impacts of projects. The purchase of a home is a major investment for customers. The decisions that we make and the advice that we give are always intended to protect our customers from potential excess debt or prevent them from losing their assets due to risks that they have not anticipated.

Alongside the impacts on our ecosystem, our own financial flows are exposed to fluctuations in economic cycles on the global markets. The climate and environmental risks ("sustainability risks") are significant for

Spuerkeess' business model. These include physical risks that could have an adverse impact on our financial health due to worsening climate disasters. The Bank must also take into account the transition risks arising from possible changes to the regulations (raising of carbon tax, prohibiting of certain processes that are harmful to the environment, etc.) or the emergence of new technologies challenging a company's business model.

Management practices introduced to limit negative impacts

Our profitability is closely linked to our sustainability. The maintaining of our profitability over the long term will therefore go hand in hand with the gradual improvement of our environmental and social performance and a governance approach that supports this vision. Taking sustainability risks and negative impacts into consideration in its strategy will enable Spuerkeess to reduce its long-term risk profile (ESG rating) and to define an action plan that identifies sustainable business opportunities.

Spuerkeess has launched projects aimed at introducing a tool to assess the ESG criteria of the most material sectors on its balance sheet. These are the construction, renovation and real estate development sector for its financing activity, the public sector and 13 significant sectors covered by its investing activity.

We will be able to gradually refine our assessment of the major ESG impacts within our activities in order to use this as a basis for an appropriate action plan.

At this stage of the analysis, climate risk has proven to be one of the main, cross-business impacts for several of our activities. Our actions are focused on reducing these risks through support that is as closely aligned as possible with the reality of our customers' circumstances.

Recurring redistribution of our economic value to our stakeholders:

We create value entirely from two factors: fees and interest received in connection with our financing and the interest generated by our customers' investments or by investing our own funds.

This value generated is redistributed to all our stakeholders through:

- salaries paid to our collaborators,
- general expenses (mainly in favour of our suppliers),
- community investments (sponsoring, humanitarian aid, etc.),
- the distribution of part of the profit and taxes paid to the state as Spuerkeess' owner.

In million euros	31/12/2018	31/12/2019	31/12/2020
Economic value created (Bank Margin) ¹	537,0	603,6	595,5
Value adjustments ²	-12,1	-64,8	-109,6
Distributions from the income statement	-349,4	-354,9	-350,5
of which staff costs	-221,7	-229,7	-237,5
of which non-staff-related general expenses ³	-85,7	-87,2	-85,8
of which taxes	-42,0	-38,0	-27,2
Income for the year	175,4	183,9	135,4
Change in valuations in own funds ⁴	182,1	-66,0	144,0
Total Comprehensive Income for the year	357,5	117,9	279,4
Distributions from own funds	-40,0	-40,0	-40,0
of which distribution to the state as owner	-40,0	-40,0	-40,0
Value retained after distribution (change in own funds)	317,6	77,9	239,4

Source : Annual financial report 2020

For the sake of consistency in the accounting method 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".

¹ Bank Margin = sum of interest income, fees, income from securities and income from financial instruments.

² 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.

³ Community investments (sponsorship, humanitarian aid, etc.) came to EUR 345.586 for 2020 and constitute an integral part of non-staff-related general expenses.

⁴ The "Change in valuations in own funds" heading contains the actuarial gains/losses on pension funds and the net income from the valuation of transactions in financial instruments.

⁵ Sum of the "Distributions from the income statement" and "Distributions from own funds" headings.

Faced with a change in own funds of EUR 239,4 million in 2020 (compared with EUR 77,9 million in 2019 and EUR 317,6 million in 2018), the Bank recorded a total distributed value⁵ of EUR 390,5 million in 2020 (compared with EUR 394,9 million in 2019 and EUR 389,4 million in 2018).

In 2020, a high exposure to ESG risks from the housing construction sector was identified from the assessment of the Bank's assets. Our goal is to concentrate above all on actions that will reduce our indirect environmental impact through the housing that we finance and its own environmental impact.

At the same time, Spuerkeess aims to adapt its universe of financial instruments in accordance with ESG criteria, for both the customer portfolio and its proprietary investments.

In 2021, Spuerkeess intends to introduce a "Green Asset Ratio" to determine the percentage of assets that are aligned with the Paris Agreement (that comply with the thresholds set by the EU Taxonomy), or assets that are on a transition trajectory as defined by the European Commission's "Report on Benchmarks".

In 2023, Spuerkeess aims to obtain an ESG rating in order to have an external assessment of its performance and of the management of its environmental, social and governance impacts.

Objectives for 2021/2022

- Introducing a "Green Asset Ratio", and therefore determining the proportion of assets that are aligned with the EU Taxonomy,
- undertaking any preparations necessary to be given an ESG rating in 2023 and identifying avenues for the gradual improvement of this rating.



DIGITALISATION AND INNOVATION

“A responsibility towards its customers and employees”

Why is this important?

The progress of digital technologies and the development of new innovative interfaces are causing unprecedented change in the banking sector, and the pace of this change is accelerating. Technology is altering our customers’ habits and the regulatory landscape.

We believe that, to ensure the longevity of our business model we must invest and embark on the path towards innovation and digitalisation. We must align with the changing needs of customers, and anticipate new needs, to counter competition from Neobanks and attract new talent. Digitalisation will contribute to the structural improvement of the Bank’s “cost-to-income” ratio.

The Bank has a responsibility towards its employees and we must ensure that their expertise is aligned with the needs of their economic and social environment. This goes beyond Spuerkeess’ responsibility as an employer; it must contribute to the development of each person within a broader context of employability and inclusion.

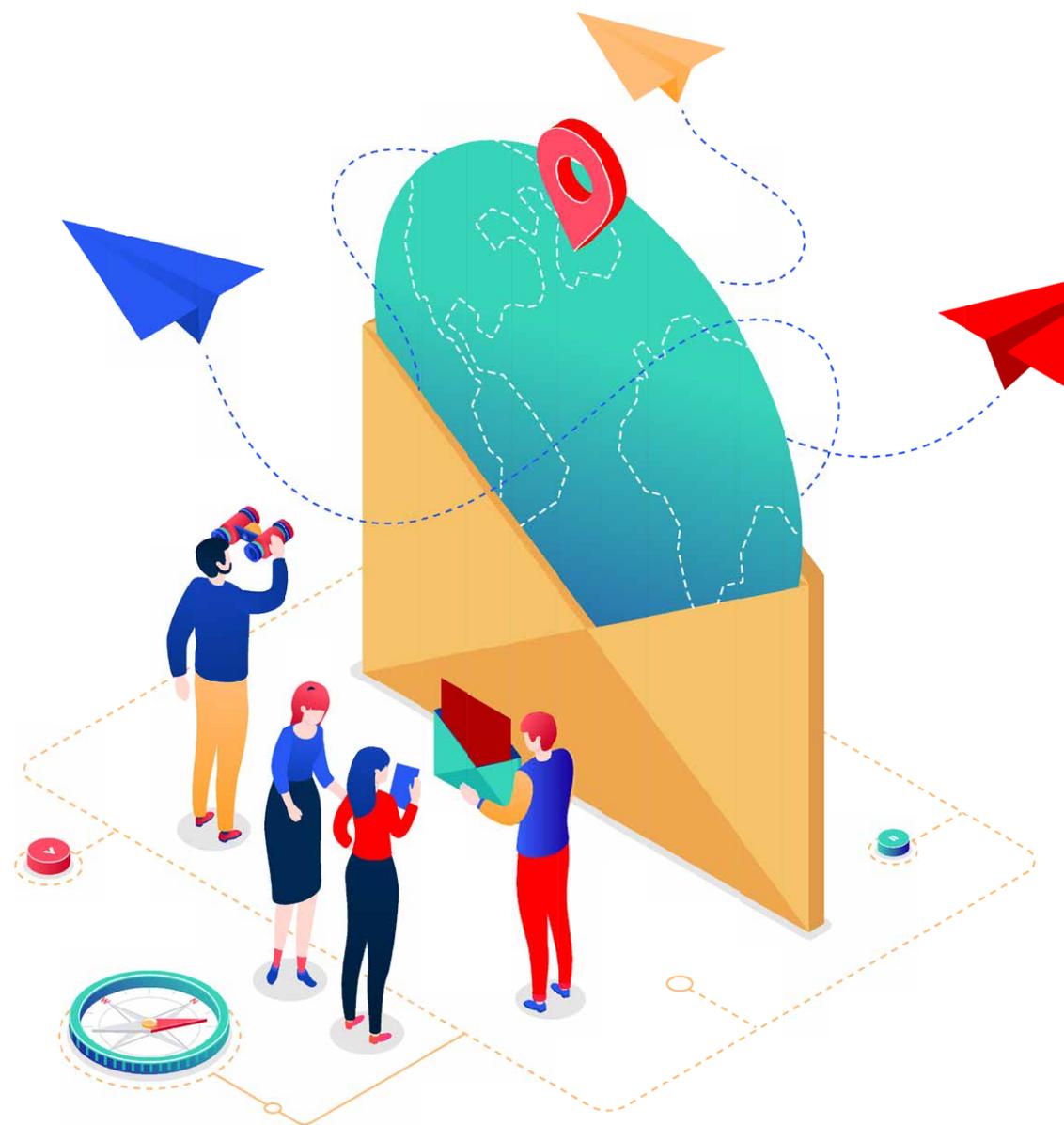
Working with partners who are experts in innovation and digitalisation to make our SME customers more aware of the challenges and opportunities of digital technology is part of our role as a responsible bank.

Impacts and risks

Falling behind in the digitalisation process would be fatal for Spuerkeess and its employees due to the loss of customers and the uncompetitive cost structure that this would result in.

In undertaking its digitalisation process, the Bank must ensure that its employees are trained and supported in the adoption of new tools, practices and internal processes, while offering its customers a fair balance in terms of accessibility, taking into account the preferences of its highly diversified customer base.

Having a customer base of SME borrowers and lagging behind its business sector competitors on innovation could have an impact on Spuerkeess’ credit risk. With this in mind, the Bank intends to help mitigate the digital transition risk to which its customers are exposed.



Management practices introduced to limit negative impacts

Customers

- Multi-channel development (branches, Spuerkeess Bus, "Spuerkeess Direct", etc.),
- educational approach to facilitate access to e-banking,
- setting up of the "Spuerkeess Direct" Service Centre equipped with the latest technological developments,
- working with partners to make our SME customers more aware of the importance of digitalisation for their businesses.

Bank staff

- Change Management and employee training in digital developments,
- involvement of every employee in digital tool implementation projects (surveys, "Hype" innovation platform, etc.),,
- integration of customers in product and service developments via the "agile" method (User experience).

Control system to assess effectiveness

- Use and signing of new S-Net agreements,
- measuring its staff's "digital" engagement through employee participation rates (visits to the Intranet, likes, comments, etc.),,
- number of internal publications relating to digitalisation.

Achievements in 2020

With the first lockdown due to the public health crisis in March 2020, our use of digital solutions exploded. Some of the flagship projects carried out in 2020 include:

- the introduction of working from home, particularly by using Microsoft Teams,
- the use of electronic signatures both within S-Net (for retail customers) and via the "Simply COSI" signature platform made available by LuxTrust and used by Spuerkeess for communication with corporate and institutional customers,
- the development of the 7 pillars of the Connect programme.

7 PILLARS OF THE "CONNECT" PROJÉT

Pillar 1: Internal collaboration and communication

Pillar 2: Employee engagement and autonomy

Pillar 3: Process streamlining and optimisation

Pillar 4: Customer knowledge

Pillar 5: Customer experience and focus

Pillar 6: Preparing for the bank of tomorrow

Pillar 7: Pragmatic risk management

S-Net “flagship” channel: Projects completed in 2020

Customer communication

- News Center
- Categorisation of S-Net messages
- Displaying of personal advisor contact data

Multi-bank transactions

- Consultation of current accounts held with: POST, Raiffeisen, BGL, BIL, BdL and ING
- Initiation of payments from POST and Raiffeisen accounts

Day-to-day management

- Certificate of banking details (RIB) downloadable via S-Net Mobile
- Signing of documents via LuxTrust
- Access to card management for card carriers

Sales & Acquisition

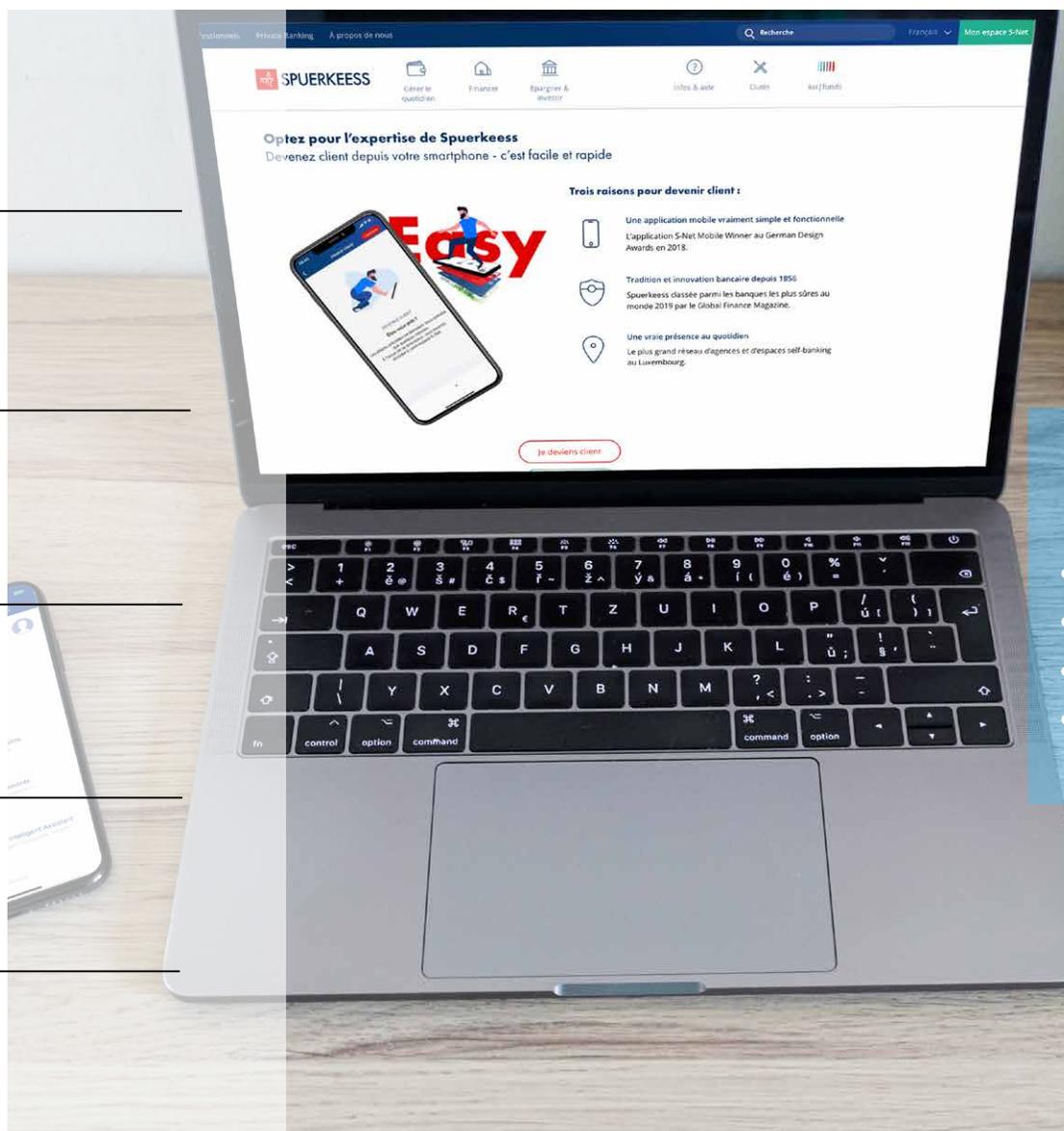
- Online product sales (packages, current & savings accounts, cards, S-Pension)
- Banking mobility
- Online Onboarding

Payment

- Payment of invoices via construction accounts
- “Youth & Work” fast transfer

User Experience

- SDI authentication via S-Net
- “Discreet mode” function
- LuxTrust “Any2Push” on S-Net Desktop



S-Net channel key figures for 2020:

- 240.000 customers,
- 40 million logins,
- more than 1 million transfers each year,
- 80% of logins on smartphones.

Support for innovation and digitalisation

In addition to the digitalisation projects completed in-house, Spuerkeess wants to make its professional customers more aware of the challenges and opportunities posed by digital technology and assist them with their innovation and digitalisation projects. Digitalisation has indeed become essential for sustainable development, as it allows the use of new, more responsible products and processes, as well as improving productivity and therefore companies' growth potential. Every year, Spuerkeess therefore actively supports SME customers wishing to carry out practical projects in this field, in collaboration with the European Investment Fund (EIF). Over the last two years, Spuerkeess has in this way financed digitalisation and innovation projects amounting to EUR 10,8 million in connection with the EIF's "InnovFin" programme, in which the Bank has participated since 2018.

Objectives for 2021

- Optimisation of processes,
- development of Knowledge Management,
- financial management solution for companies,
- raising of SME customers' awareness of digitalisation issues.



GOVERNANCE AND ETHICS: BEING AN “EMPLOYER AND BANK OF CHOICE”

DEVELOPING DIALOGUE, ENGAGING AND PARTNERING WITH STAKEHOLDERS

Why is this important?

Our Bank’s closeness to its customers and our local community is reinforced by its proactive engagement with our stakeholders. For many years, we have benefited from open discussions with our stakeholders in a variety of ways.

For us, acting as a responsible bank means continuing to regularly consult our key stakeholders in order to:

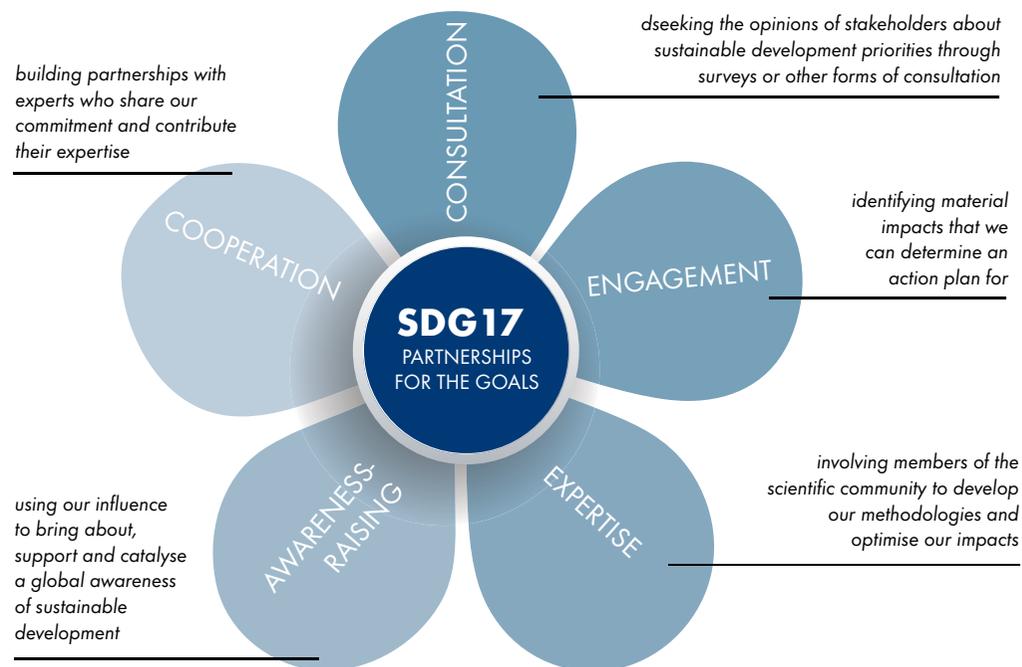
- incorporate their concerns within our sustainable banking strategy,
- create and develop new partnerships, capitalising on expertise that is complementary to our own,
- raise awareness of the ESG challenges that our stakeholders must address,
- learn from their trades and their experiences in the field so as to create appropriate solutions together.

Impacts and risks

We cannot act alone to achieve the objectives that we want to meet. To enrich our thinking and continue to innovate in our management, products and services, we need our stakeholders’ support.

As sustainable development covers many issues, we need to have strong partnerships with various players. Effectively and credibly channelling our financial flows into more sustainable finance, as demanded by the European action plan, requires the determining of “non-financial” quantitative metrics and comparative indicators to align our performance. Our approach consists of surrounding ourselves with expertise through collaborations or partnerships, with internal parties (our building technology experts from the “Facility Management” team) or outside experts (energy consulting experts, scientists, etc.).

Management practices introduced to limit impacts



Control system to assess effectiveness

As we are aware that all stakeholders must contribute to achieve our sustainability targets, we will regularly consult our stakeholders, at least every three years, for the continuous reviewing of our materiality matrix (see the methodology note in part IV).

Achievements in 2020

Consultation

For our first Social Responsibility Report in 2017, we followed a formal process to analyse the issues that were most relevant to the Bank's internal stakeholders.

In 2020, Spuerkeess distributed a survey, consulting the members of its organisation, customers and suppliers. The purpose of the survey was to gather information about the issues that are most material to our organisation. The stakeholder consultation methodology, used to survey a total of 1.434 people, is described in detail in the methodology note appended at the end of this report. The outcome of this consultation can be seen in the materiality matrix presented in this note, showing the priority themes covered by our 2020 Sustainable Development Report.

In addition to this formal process, we have always benefited from open discussions with all our stakeholders in a variety of ways. We wished to strengthen our customers' representation on our Board of Directors and Executive Committee by creating three Advisory Boards, composed of experts from various economic sectors in which the Bank operates:

- a "retail customer" Advisory Board,
- a "professional customer" Advisory Board, and
- an "institutional customer" Advisory Board.

These representatives of Luxembourg's economic life, who meet three to four times a year, provide important information and guidance, allowing the Bank to monitor the changing needs of its customers.

Engagement

Spuerkeess has stepped up its engagement and awareness-raising with its suppliers. Engagement has been focused on the suppliers within our supply chain with regard to sustainability and corporate social responsibility.

The stakeholder survey has shown that selecting sustainable suppliers allows us to transpose our sustainable management into a responsible purchasing process. The Bank wants to help its suppliers to become more aware of, and positively contribute to topics related to sustainability, corporate social responsibility, ethics and transparency.



In 2020, we identified 6 priority trades from among our general service providers:

cleaning of premises, joinery, painting, supplying of office furniture, and heating and electricity system maintenance. The aim of this exercise was to assess the value chain of these suppliers against a number of predefined ESG criteria and to use the results to define an action plan to improve their sustainability performance. Within this framework, a trade data sheet was prepared for each of these trades, describing the main CSR issues for the trade, and the environmental, social or societal standards within the relevant business sector, illustrated by examples of best practice. The trade data sheet in question therefore served as a starting point for an individual dialogue with a supplier representative of each of the 6 trades. Ultimately, this exercise had a two-fold objective: to actively raise suppliers' awareness of sustainable development issues and further develop the environmental, social and good governance choices applied by Spuerkeess to its own supply chain.

This approach will not only allow the Bank to finalise its responsible purchasing policy in 2021 by introducing ESG criteria applicable to the procurement process, but will also enable its partners to benefit from an ESG self-assessment methodology that they can use to structure their own sustainable development policy.

Cooperation

In 2020, the Bank partnered with energieageance, a specialised firm that offers energy efficiency-related services, to develop the "One Stop Shop" concept, whose objective is to combine our energy and financial engineering expertise to accelerate the transition through energy renovation. 42 Housing and SME Advisers took part in dedicated training designed to give them detailed knowledge of the state and private grants available for renovation work aimed at improving the energy efficiency of housing or buildings. They gave their first advice to customers in January 2021.

Expertise

To assist us with the development of internal ESG rating methodologies that meet regulatory requirements, we requested the support of scientist Dr Kim Schumacher, an expert in climate and environmental sciences, to develop a methodology for assessing the ESG risks specific to sovereign risks (based on various official indices (including the "Human Development Index (HDI)" and the "Environmental Performance Index (EPI)"), as well as a methodology for assessing risks relating to major industry sectors (corporate issuers).

Highly technical sustainability issues are being added to the spectrum of financial knowledge that we are already proficient in. To ensure that our highest decision-making bodies have the necessary understanding for all our impacts, training has been organised for the members of the Board of Directors, the Executive Committee and the Risk Management function, with the support of an expert in the field.

Awareness-raising

As a financial partner in our customers' projects, knowledge of their impact on ESG issues is a decisive factor in the supporting of all our customers' actions aimed at sustainable development. With this in mind, Spuerkeess wants to act as a catalyst for the environmental transition by collecting information about customers' objectives, their current positioning and the direction that their sustainable development ambitions are tending towards.

In 2020, we developed an ESG questionnaire for our Luxembourg lending activity (for construction and housing initially) with a two-fold objective. Firstly, this questionnaire serves as a basis for opening the discussion of ESG issues with customers, thereby making them more aware of sustainable development themes and alerting them to the various regulations in this area. Secondly, the answers to this questionnaire allow us to assess our own indirect impacts through the supporting of our customers' projects, so that we can reinforce our contribution to the Sustainable Development Goals.

Objectifs 2021

- Implementing our responsible purchasing policy across our entire value chain,
- expanding the ESG self-assessment methodology to other trades,
- creating a "Scientific Advisory Board" made up of scientists from various disciplines whose objective is to advise the Bank (and, at a later stage, other economic players) on environmental risk management while taking regulatory requirements into account.





BANKING ETHICS: TRANSPARENCY, COMMUNICATION AND SECURITY

Why is this important?

As society's expectations evolve, banks must be transparent and clear about how their products and services create value for their customers, and for wider society.

At Spuerkeess, we are aware of the commitments arising from our public status and the special position that we hold in the local economic fabric. We take the utmost care to maintain our credibility and the trust placed in us by civil society throughout our history. One of our code of conduct's primary objectives is to ensure that the Bank acts honestly and transparently.

Through our product and service range, we address all our prospects and customers fairly and transparently and offer products and services that meet our customers' needs and reflect the values that we and our customers adhere to.

The United Nations "Principles for Responsible Banking" help banks around the world to align their business strategies with the objectives of civil society. These principles provide the framework for a sustainable banking system and help the industry to demonstrate its positive contribution to society. We are proud to have been the first Luxembourg bank to sign up to the Principles, back in October 2019. One of the commitments that we made in signing up to them is "to be transparent and accountable for our positive and negative impacts and our contribution to society's objectives as formalised by the Sustainable Development Goals and the Paris Agreements".

We view this as a reinforcement of the commitments that we have already made to our customers through our values and our Code of Conduct, a central tenet of which is the protection of our customers' interests.

Impacts and risks

Greater transparency in our activities is essential to ensuring our credibility and meeting regulatory and business requirements. A lack of open, upright and consistent communication would be likely to jeopardise the trust placed in us by our customers, other Bank counterparties, and the Luxembourg state.

Management practices introduced to limit impacts

The Bank has three bodies tasked with guaranteeing regulatory compliance and the consistency of the information communicated to the general public.

The External Communication Committee

In 2011, the Bank set up an External Communication Committee to make sure that information is disseminated consistently and in accordance with the regulations in force. The Committee is composed of representatives of the Retail Banking, Legal, Marketing, Organisation and General Secretariat units. This Committee's purpose is to verify the veracity and transparency of all our external communications, i.e. leaflets, advertisements, forms and contracts, in paper and electronic form.

Regulatory compliance

The Legal unit and the Regulatory Watch carried out by the Compliance unit complement the Bank's various units that prepare information for sharing with the public. The Bank's units that are in regular contact with customers can rely on their expertise, which is vital to ensure our compliance with the regulatory requirements in force.

The Marketing unit

When a test document has been finalised, the Marketing unit is responsible for the layout, taking special care to make sure that information that is of particular importance for the public is readable and able to be clearly understood.

Any communications relating to the Bank's products and services that are intended for counterparties outside the Bank are only disseminated after validation by the External Communication Committee.

Control system to assess effectiveness

The Bank has set up internal systems dedicated to the handling of all categories of complaints, the processing of customers' personal data, and the security of our customers when they use the Internet.

Listening to the public

The Bank has set up a system for the handling of the suggestions and complaints addressed to us through the main communication channels (branches, S-Net network, social media, etc.) so that the public can share their views and thoughts on Spuerkeess' publications. The Bank handles any issues or complaints raised with the utmost care, so as to continuously improve its external communications.

Protecting our customers' personal data

Spuerkeess is keen to build strong and lasting relationships with its customers based on trust and mutual interest. The protection of their privacy and the confidentiality of the personal data that they entrust to the Bank are crucial to customers.

A Data Protection Policy has been published on our website, and is intended to inform all our stakeholders about how the data communicated to the Bank are processed throughout their relationship with it. Spuerkeess ensures that personal data are processed in strict accordance with the related legislation, and particularly the GDPR (General Data Protection Regulation), through regular updates of this policy.

Internet security

Spuerkeess also wants to inspire its customers to behave with caution given the dangers of the Internet. As digital channels are an increasingly widespread means of communicating and carrying out banking transactions, we consider this to be just as important as the physical security of our branches. Spuerkeess regularly publishes recommendations for its customers, on the protection of their own computers, Internet browsing behaviour, and personal data solicitation and sharing requests that may arrive via insecure channels.

If Spuerkeess suffers a phishing attack, or any other form of cyber-scam, customers are immediately informed of the protective measures to be taken. We issue regular reminders to customers not to disclose personal data (customer number, passwords, credit card data, etc.) in response to e-mails, or disclose them to third parties, and, above all, never to install unsolicited programmes on their computers.

ABOUT THIS REPORT

PART IV

Scope of the report

Spuerkeess publishes a report on its non-financial performance once a year. This report provides an overview of the main sustainable development issues for the period from 1 January 2020 to 31 December 2020, aligned with Spuerkeess' management report. The previous report for the financial year 2019 was published in April 2020. The next report will be published in April 2022 and will relate to the data for 2021. This fourth 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.

The report covers all the activities, without exception, carried out by the Group's main legal entity, Banque et Caisse d'Epargne de l'Etat, Luxembourg, whose head office is at 1, Place de Metz L-2954 Luxembourg, in line with the annual management report.

Information about the commitments and standards that we observe

As a signatory to the PRB of the UNEP FI since October 2019, we report on the implementation of the Principles for Responsible Banking via the "Reporting and Self-Assessment Template", which we are submitting for the first time in April 2021, and in which we refer to the paragraphs of this report that relate to the 6 principles:

1. alignment of the Bank's strategy with the SDGs, the targets set in the Paris Climate Agreement and the relevant national initiatives,
2. assessment of the main ESG impacts of Spuerkeess' activities and setting of objectives for increasing positive impacts and reducing negative impacts,
3. awareness-raising and guidance for customers regarding sustainable behaviour to create shared prosperity for current and future generations,
4. consultation of stakeholders and holding of discussions with them in order to achieve the objectives set,
5. development and promotion of a culture that encourages the implementation of the PRB within Spuerkeess,
6. transparency and honest communication regarding performance in relation to the objectives set.

Given the Bank's alignment with the Global Reporting Initiative (GRI) Standards since 2018, the report has been prepared in accordance with these standards (core option). With regard to the GRI Content Index Service, the GRI's teams have confirmed that the GRI content index is clearly presented and that the references for all the information provided match the appropriate sections in the main body of the report. The GRI Standard reporting principles for the defining of report content have been applied, namely stakeholder inclusiveness, sustainability context, materiality and completeness. Refer to the GRI Content Index on pages 62-69.

Audit report

No external audit was performed specifically for this report. A process for obtaining assurances regarding the content, the reporting principles and the data published will be introduced for future reports, starting in 2022, in connection with our status as a signatory to the PRB.

Significant changes

Significant changes have been made compared with previous reporting periods. The review of our materiality matrix reflects an update of the list of material topics, resulting from our impact analysis and our analysis of stakeholders' expectations, and their scopes.

Publication and additional information

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

For further information, please contact the Sustainable Development Committee by e-mail: sustainability@spuerkeess.lu.



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 programme, 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 as set out in part III of this report.

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).

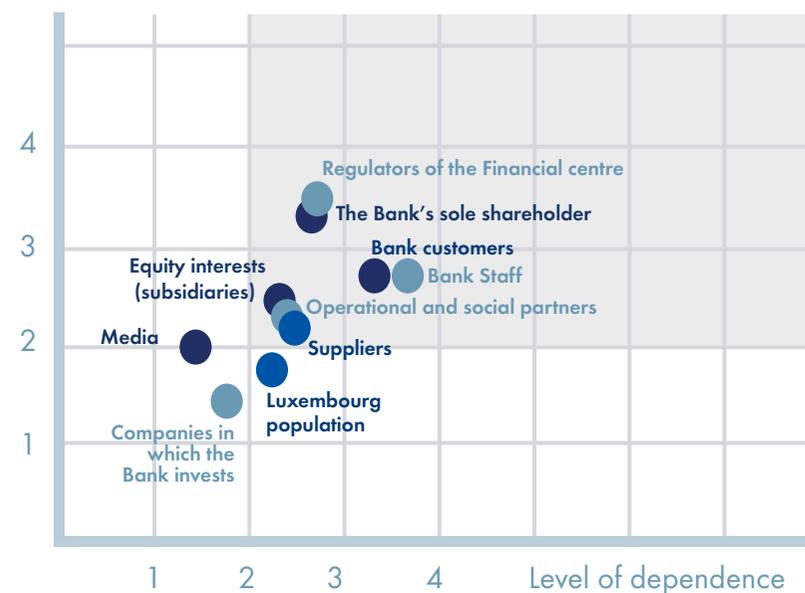
The aim of this step was to establish a list of themes in keeping with the Bank's language and activities. 19 themes covering economic, environmental, social and societal aspects were identified and prioritised.

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.

Level of influence



We identified the following 4 stakeholders as priority targets for our 2020 engagement programme. 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

The themes were assessed by the stakeholders by providing them with an online survey, supplemented by a programme of dialogue with our priority suppliers.

Stakeholders 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 themes identified. 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.

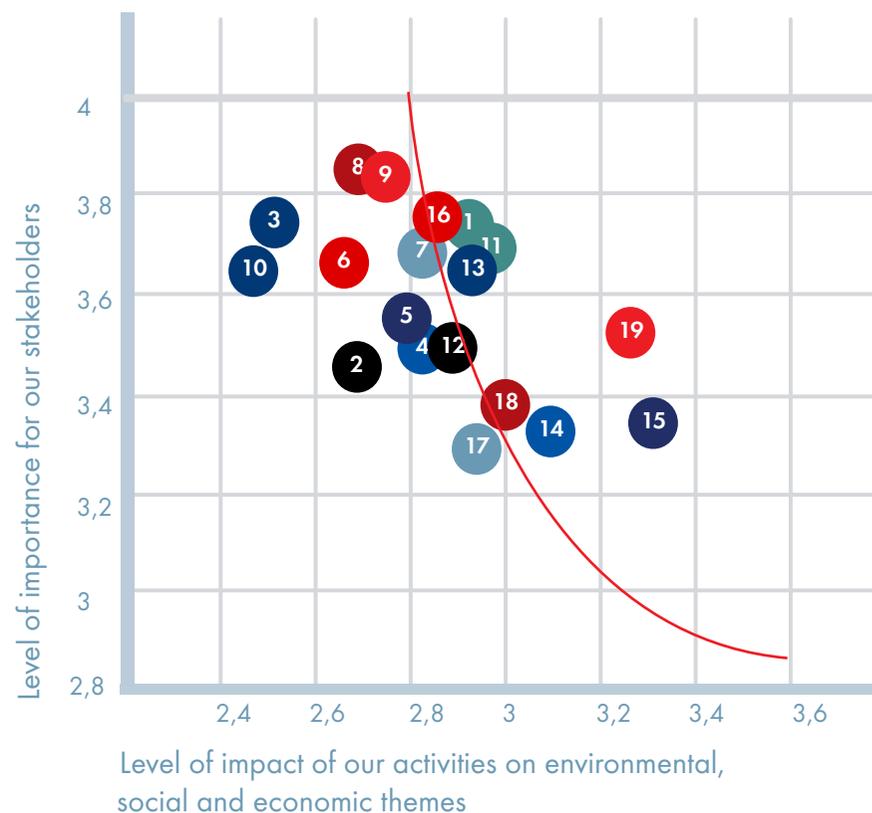
Themes

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

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.



The group of themes that appears below the materiality threshold consists mainly of themes considered to have been “mastered” by the Bank:

- 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,
- 12 - Equal opportunity in recruitment and promotion,
- 17 - Transparency about activities, products and services.

These themes were discussed in detail in the most recent non-financial reports and are fundamental for a Responsible Bank. The aim for the coming years will be to maintain this level of mastery.

The only exception for this group is the “2- Sharing our expertise/knowledge with citizens” theme, which was identified as one of Spuerkeess’ “priority” themes following the impact analysis presented in the next chapter.

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

- 1 - Guaranteeing the Bank’s long-term 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 customer’s 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 issues are part of our long-term ambition as issues with a major impact and contribution to the Paris Agreements and the Sustainable Development Goals.

The themes that make up our strategic Sustainable Development priorities are assigned precise quantitative and qualitative targets.

5. Next steps

Action plans have been 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 programme 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 process based on a gradual and inclusive stakeholder engagement programme. This stakeholder engagement programme is periodically implemented to continually involve new stakeholders in our materiality analysis.





IMPACT ANALYSIS METHODOLOGY NOTE

Our positive and negative impacts go beyond our company. In line with the spirit of the Principles for Responsible Banking (PRB) and in anticipation of the European sustainability regulations, Spuerkeess will gradually align with the Paris Climate Agreement, integrate the priorities set out in the European “Green Deal”, implement the various components of the EU Action Plan for Sustainable Finance and support national sustainability initiatives (the Integrated National Energy and Climate Plan and the Luxembourg Sustainable Finance Roadmap).

By applying the methodology prescribed by the UNEP FI, we were able to determine the impacts considered to be the most significant for Spuerkeess’ activities. We then focused on two impacts to determine objectives.

Our impact analysis is based on the UNEP FI “Portfolio Impact Analysis” tool and allowed us to perform an initial assessment of the assets on our balance sheet, from which significant sector exposures emerged. Spuerkeess completed this analysis using its own internal methodology.

Generally speaking, the four steps recommended by the UNEP FI for impact analyses were followed by the Bank, covering:

1. **scope,**
2. **scale of exposure,**
3. **context and relevance,**
4. **intensity**

The steps followed for the impact analysis were as follows:

1. Defining the scope

The impact analysis focused on the following exposures for the assets on the Bank’s balance sheet: the public sector (loans and securities investments), the financing of the construction sector (residential, commercial and real estate professionals), and the corporate sector (investment in international securities). The impact analysis will be expanded in 2021 and 2022 to cover exposures to financial counterparties and the management of customers’ securities portfolios. The financing of certain technologies with a high environmental impact (e.g. electric cars, wastewater treatment plants and wind turbines) are presented in part III of this report in the chapter “Structuring financing solutions to support our customers in their transition to sustainability”. *The data used for calculations is taken from the Bank’s non-consolidated balance sheet closed on 31 December 2020.*

2. Defining the scale of our impacts

When identifying the areas where our impacts are greatest, the bank took into account its main activities in terms of industries, technologies and business sectors. We covered 53%¹ of the outstanding assets on the Bank's balance sheet at 31 December 2020. These 53% of outstanding assets consist of exposures to the construction sector², the main corporate sectors (see Appendix I) and the public sector. In the construction sector, housing financing for our private customers accounts for 86% of the total.



We took various approaches based on the specific characteristics of each sector to quantify the most significant impacts for each business sector.

a. Construction sector:

We determined the most significant impacts for this sector by working with internal and external experts. The positive and negative impacts were analysed from the perspective of both buyers and construction companies, as the direct influence on ESG impacts may differ in each case.

The "energy & climate", "environmentally-friendly mobility", "circular economy", "access to housing" and "job creation" issues had the greatest ESG impacts (both positive and negative) in this sector.

¹ The share of the outstanding assets on the balance sheet that is not covered is mainly made up of exposures to the financial sector and to the "private household" and "SME" sectors for which no link could be found to the construction sector.

² To define the construction sector, we took into account residential loans to retail customers, loans and credit facilities granted to professional customers in the construction/renovation/real estate development sector and investments in the construction/renovation/real estate development sector.

b. Corporate sector :

When analysing our proprietary investment portfolios we based ourselves on the "SASB Materiality Map" for an impact analysis of the 13 most represented sectors in our portfolio (see Appendix I). The analysis of the annual reports (financial and non-financial) of the 42 companies observed in our preliminary analyses allowed us to identify the main ESG risk factors, including climate risks, and to collect a number of non-financial data.

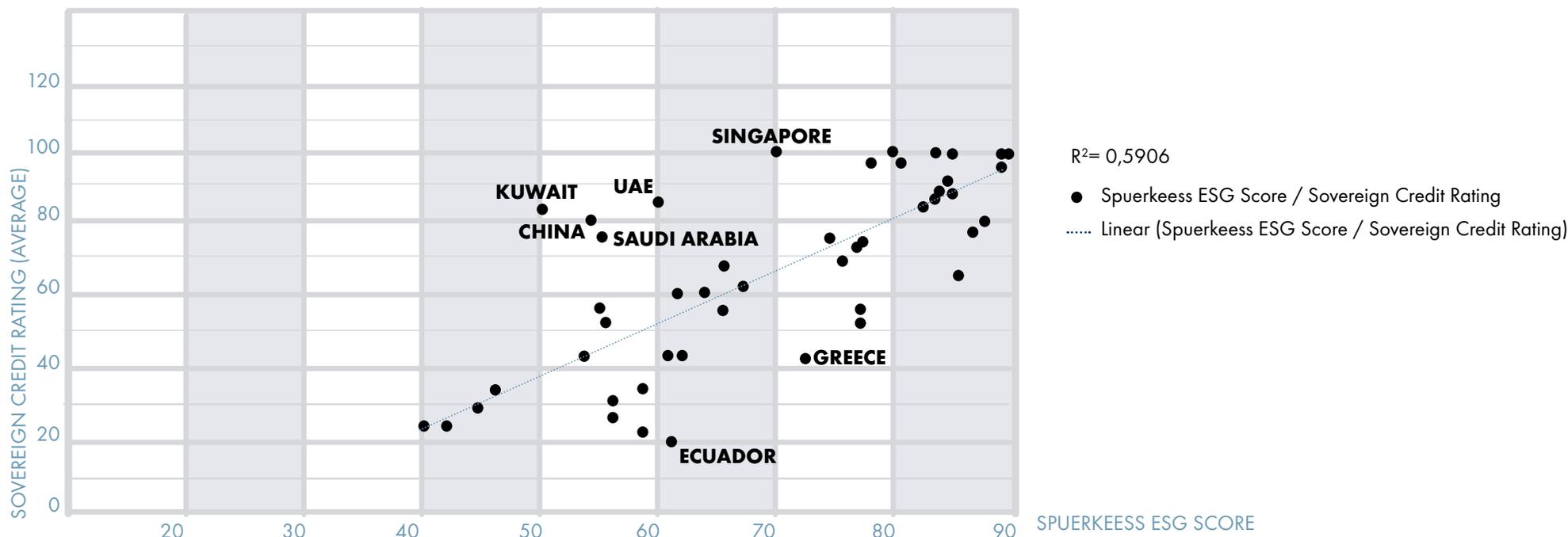
For these 13 sectors, the major material impacts are (in decreasing order):

greenhouse gas emissions,
energy management,
waste management,
air quality,
water treatment, and
the circular economy.

c. Sovereign sector (public sector):

We have developed a ("science-based") ESG assessment methodology based on official indices (see Appendix I) to assess this sector's impacts. The results obtained were correlated with recognised studies (e.g. the study commissioned by the European Commission and carried out by Bertelsmann Stiftung).

We also conducted a study of the correlation between sovereign ESG risk ratings and sovereign credit risk ratings, whose results were conclusive as they aligned with economic studies and sovereign ESG risk ratings produced by professional ESG service providers (see overleaf).



After applying the internal ESG rating methodology to our investments in the public sector, the breakdown of exposures according to the quality of the ESG rating is as follows:



3. Integrating the challenges into our sustainability context

Spuerkeess operates exclusively in Luxembourg. Luxembourg has defined Climate and Energy as its priority agenda through its Integrated National Energy and Climate Plan, together with the digitalisation of the economy. The circular economy appears to be an issue that will become more important in the coming years, but at the moment standards are yet to be defined. Financial education and education in general are key ways to combat social exclusion (facilitate social inclusion) and to address the growing social differences within our society.

4. Considering the intensity of impacts

The impact analysis carried out on the portfolios under review and the priorities set by Luxembourg show that the themes that the Bank must focus on are the climate, energy, mobility and digitalisation. Education will also be an important way of helping to introduce equality of opportunity given growing social inequalities or of raising companies' awareness to prepare them to tackle ESG challenges.

Following this impact analysis, the Bank considers two issues to have the greatest impacts:

i) The combating of climate change through the energy transition

The opportunities and the objectives set for the combating of climate change through the energy transition are presented in the “Climate change” and “Value creation” chapters.

ii) Social inclusion through education and the raising of awareness of sustainable development

The opportunities and the objectives set for social inclusion through education and the raising of awareness of sustainable development are dealt with in the “Social responsibility” chapter.

The objectives for the two issues with the greatest impacts are defined as follows:

i) The combating of climate change through the energy transition

The Bank aims to gradually increase the share of “green” balance sheet assets in the exposures to the main sectors generating CO2 emissions (sectors under the EU Taxonomy).

The Key Performance Indicator (KPI) on which this objective is based can only be validly measured once we have finished measuring the CO2 emissions and carbon intensity of all the assets within the Taxonomy’s scope. We plan to implement the measures in question for the “Supervisory expectations relating to risk management and disclosures – Guide on Climate-related and environmental risks” of the Central Bank.

Due to our significant exposure to the Construction sector, we believe that energy renovation is a significant way to create a climate impact.

The Bank has therefore developed a tool simulating the state and private grants available for energy renovations, for the use of our Housing and SME Advisers. This tool, which was developed by the company energieage, is currently being rolled out to the branch network and the CBA (Corporate Banking) unit.

The KPIs we have set ourselves are:

- the number of times that we advise customers in the short term about grants,
- the continuous improvement of the average energy class within the stock of housing financed.

The quantified objectives are presented in part III of this report in the chapter “Structuring financing solutions to support our customers in their transition to sustainability”

ii) Social inclusion through education and the raising of awareness of sustainable development

We have set ourselves qualitative objectives for sustainable development education and awareness-raising, tailored to the needs and circumstances of the various generations within society.

Detailed information is presented in part III of this report in the chapter “Financial education and the raising of awareness of sustainable development”.



CARBON ASSESSMENT METHODOLOGY NOTE

We applied the carbon assessment® methodology (version 8.5), which is based on international environmental and climate standards such as the GHG Protocol and the ISO 14064 and 14069 standards. The carbon assessment method always takes into account the emissions generated through the generation of energy sources (complete life cycle). This means that emissions are also generated when renewable energy sources are used (for example, for the manufacture of a photovoltaic plant that generates solar power). These emissions are naturally very low, but superior to 0. All the emission factors, except the electricity factor, are taken from the carbon assessment database, carbon database V18.1.

The study scope applied is as follows:

- the scope 1, 2 and 3 emissions were assessed for the six greenhouse gases (CO₂, CH₄, N₂O, HFCs, PFCs and SF₆),
- the year of assessment is 2020,
- the organisational scope applied is as follows: Spuerkeess' head office and branches,
- the electricity emission factor for Luxembourg published in the draft Grand-Ducal Regulation on the energy performance of buildings is 0,367kg CO₂e/kWh.

The definition of Spuerkeess' activity data, the data collection process and the calculation of the CO₂ emissions were carried out in collaboration with the company energieagence

The scope 1, 2 and 3 categories consist of the following items:

Scope 1 direct emissions

N	EMISSION ITEMS	included	excluded
1-1	Direct emissions from fixed combustion sources	Heating by gas and domestic heating oil; Emergency generator	-
1-2	Direct emissions from mobile combustion sources	Vehicle fleet	-
1-3	Direct process emissions	Refrigerant leakage	-

Scope 2 indirect emissions

N	EMISSION ITEMS	included	excluded
2-1	Indirect emissions from electricity consumption	Electricity consumption	-
2-2	Indirect emissions from the consumption of steam and heat	District heating	-

Scope 3 other indirect emissions

N	EMISSION ITEMS	included	exclus
3-1	Products and services purchased	Office materials; Facility Management materials; Food	Services provided by suppliers (consulting, IT, etc.); Facility Management services
3-3	Fuel and energy-related emissions	Fuel emissions (upstream); Electricity – line losses	-
3-5	Waste generated	Waste	-

The following data could not be assessed in scope 3: emissions from the upstream transportation of goods and distribution, emissions from employee commuting, and emissions from investments.

APPENDIX I

List of 13 sectors:

- Electricity, gas, steam and air conditioning supply,
- Air transport,
- Manufacture of computer, electronic and optical products,
- Publishing activities,
- Information service activities,
- Telecommunications,
- Manufacture of coke and refined petroleum products,
- Manufacture of motor vehicles, trailers and semi-trailers,
- Manufacture of basic pharmaceutical products and pharmaceutical preparations,
- Food and beverage services,
- Manufacture of food products,
- Manufacture of chemicals.

List of official indices:

- E1: 2020 Environmental Performance Index,
- E2: 2020 SDSN/Bertelsmann Stiftung Sustainable Development Report (SDG Index 2019),
- S1: 2019 Human Development Index (UNDP),
- S2: 2020 Social Mobility Index (World Economic Forum),
- S3: 2020 Social Progress Index (The Social Progress Imperative),
- S4: 2019 Social Institutions and Gender Index (OECD),
- G1: 2020 World Governance Indicators (World Bank),
- G2: 2020 World Press Freedom Index (Reporters Without Borders).



APPENDIX II

2020 GRI 401 Recruitment:

		2018	2019	2020	Percentage
Number of employees	Total	1866	1871	1859	-
	Men	1089	1090	1080	-
	Women	777	806	779	-
New employees	Total	92	68	72	3,87%
	Men	58	46	42	2,26%
	Women	34	21	30	1,61%
New employees aged under 30	Total	66	29	28	1,51%
	Men	40	19	13	0,70%
	Women	26	10	15	0,81%
New employees aged between 30 and 50	Total	25	38	42	2,26%
	Men	17	27	27	1,45%
	Women	8	11	15	0,81%
New employees aged over 50	Total	1	1	2	0,11%
	Men	1	0	2	0,11%
	Women	0	1	0	0,00%

Recruitment by career:

B1	14	20%
A2	12	17,10%
A1	44	62,90%

Breakdown by allocation:

Branch	21
Unit	51

2020 GRI 401 Departures and employee turnover:

		Number	Percentage
Number of employees	Total	1859	-
	Men	1080	-
	Women	779	-
Departed employees	Total	84	4,52%
	Men	55	2,96%
	Women	29	1,56%
Departed employees aged under 30	Total	17	0,91%
	Men	8	0,43%
	Women	9	0,48%
Departed employees aged between 30 and 50	Total	15	0,81%
	Men	12	0,65%
	Women	3	0,16%
Departed employees aged over 50	Total	52	2,80%
	Men	35	1,88%
	Women	17	0,91%

2020 GRI 401 Departures and employee turnover (excluding retirement):

		Number	Percentage
Number of employees	Total	1859	-
	Men	1080	-
	Women	779	-
Departed employees	Total	37	1,99%
	Men	22	1,18%
	Women	15	0,81%
Departed employees aged under 30	Total	17	0,91%
	Men	8	0,43%
	Women	9	0,48%
Departed employees aged between 30 and 50	Total	15	0,81%
	Men	12	0,65%
	Women	3	0,16%
Departed employees aged over 50	Total	5	0,27%
	Men	2	0,11%
	Women	3	0,16%

With regard to the GRI Content Index Service, the GRI services conducted a review to ensure that the GRI Content Index is clearly presented and that the references for all the information provided match the appropriate sections in the main body of the report. The service was performed on the French version of the report.



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GRI 103: Management approach 2016	GRI 103-1	Explanation of the material topic and its boundary	20
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Developing products/services that promote the environmental transition	GRI 201	Economic Performance	GRI 201-2	SDG 13 : Take urgent action to combat climate change and its impacts	24-29
	GRI Sector Disclosures: Financial services	Product Portfolio	FS8	SDG 7 : Ensure access to affordable, reliable, sustainable and modern energy for all SDG 11 : Make cities and human settlements inclusive, safe, resilient and sustainable SDG 13 : Take urgent action to combat climate change and its impacts	24-29
Promoting the environmental transition and supporting our customers in this process	GRI Sector Disclosures: Financial services	Product Portfolio	FS1	SDG 7 : Ensure access to affordable, reliable, sustainable and modern energy for all SDG 11 : Make cities and human settlements inclusive, safe, resilient and sustainable SDG 13 : Take urgent action to combat climate change and its impacts	24-29
	GRI Sector Disclosures: Financial services	Product Portfolio	FS7	SDG 7 : Ensure access to affordable, reliable, sustainable and modern energy for all SDG 11 : Make cities and human settlements inclusive, safe, resilient and sustainable SDG 13 : Take urgent action to combat climate change and its impacts	24-29
	GRI Sector Disclosures: Financial services	Product Portfolio	FS8	SDG 7 : Ensure access to affordable, reliable, sustainable and modern energy for all SDG 11 : Make cities and human settlements inclusive, safe, resilient and sustainable SDG 13 : Take urgent action to combat climate change and its impacts	24-29
Choosing sustainable and reusable materials	GRI 306	Waste	GRI 306-2	SDG 3 : Ensure healthy lives and promote well-being for all at all ages SDG 6 : Ensure availability and sustainable management of water and sanitation for all SDG 12 : Ensure sustainable consumption and production patterns	20-23
Efficient waste management	GRI 306	Waste	GRI 306-1	SDG 3 : Ensure healthy lives and promote well-being for all at all ages SDG 6 : Ensure availability and sustainable management of water and sanitation for all SDG 12 : Ensure sustainable consumption and production patterns SDG 14 : Conserve and sustainably use the oceans, seas and marine resources for sustainable development	20-23
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	GRI 305	Emissions	GRI 305-2	SDG 14 : Conserve and sustainably use the oceans, seas and marine resources for sustainable development SDG 15 : Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss	20-23
	GRI 305	Emissions	GRI 305-3	SDG 15 : Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss	20-23

Material topic	GRI		Disclosure	SDG	Pages
Developing products/services that encourage social inclusion	GRI Sector Disclosures: Financial services	Product Portfolio	FS7	SDG 1 : End poverty in all its forms everywhere	24-29
				SDG 8 : Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all SDG 9 : Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation SDG 10 : Reduce inequality within and among countries SDG 11 : Make cities and human settlements inclusive, safe, resilient and sustainable	
Training and professional development	GRI 404	Training and Education	GRI 404-1	SDG 4 : Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all SDG 5 : Achieve gender equality and empower all women and girls SDG 8 : Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	30-31
	GRI Sector Disclosures: Financial services	Product Portfolio	FS4	SDG 10 : Reduce inequality within and among countries	30-31
Financial education/raising of awareness of sustainable development	GRI Sector Disclosures: Financial services	Product and Service Labeling	FS16	SDG 1 : End poverty in all its forms everywhere SDG 8 : Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all SDG 10 : Reduce inequality within and among countries	32-33
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	GRI 403	Occupational health and safety	GRI 403-7		34-35
	GRI 403	Occupational health and safety	GRI 403-8		34-35
Guaranteeing sustainable profitability for the Bank	GRI 201	Economic performances	GRI 201-1	SDG 8 : Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all SDG 9 : Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation	36-37

Material topic	GRI		Disclosure	SDG	Pages
Digitalisation and innovation	GRI 203	Indirect economic impacts	GRI 203-2	SDG 3 : Ensure healthy lives and promote well-being for all at all ages SDG 8 : Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all SDG 10 : Reduce inequality within and among countries SDG 17 : Strengthen the means of implementation and revitalize the global partnership for sustainable development	38-41
	GRI Sector Disclosures: Financial services	Local communities	FS14	SDG 1 : End poverty in all its forms everywhere SDG 8 : Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all SDG 10 : Reduce inequality within and among countries	38-41
Choosing local and responsible suppliers	GRI 201	Economic Performance	GRI 201-1	SDG 8 : Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all SDG 9 : Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation	36-37
	GRI Sector Disclosures: Financial services	Product Portfolio	FS5	SDG 10 : Reduce inequality within and among countries	
Developing dialogue with stakeholders	GRI 102	General Disclosure	GRI 102-43	SDG 17 : Strengthen the means of implementation and revitalize the global partnership for sustainable development	
	GRI Sector Disclosures: Financial services	Product Portfolio	FS5	SDG 10 : Reduce inequality within and among countries	42-44
Adopting ethical behaviour towards stakeholders	GRI 102	General Disclosure	GRI 102-16	SDG 16 : Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels	46-47
	GRI 102	General Disclosure	GRI 102-18	SDG 16 : Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels	46-47
	GRI Sector Disclosures: Financial services	Product and Service Labeling	FS15	SDG 16 : Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels	46-47
Protecting the customer's interests and personal data	GRI Sector Disclosures: Financial services	Product and Service Labeling	FS15	SDG 16 : Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels	46-47
Transparency regarding activities, products and services	GRI Sector Disclosures: Financial services	Product and Service Labeling	FS15	SDG 16 : Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels	46-47
Measures to guarantee employee well-being in the workplace	GRI 401	Employment	GRI 401-2	SDG 5 : Achieve gender equality and empower all women and girls SDG 8 : Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	34-35
Equal opportunity in recruitment and promotion	GRI 401	Employment	GRI 401-1	SDG 5 : Achieve gender equality and empower all women and girls SDG 8 : Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all SDG 10 : Reduce inequality within and among countries	34-35

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 (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.

Requirements	Bank's response and self-assessment	Reporting reference
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.		
1.1 Business model description	<p>"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.</p> <p>The Bank's core activity consists of collecting deposits and granting loans and credits to the national economy.</p> <p>Spuerkeess' lending and credit policy follows the principle of "socially responsible lending".</p>	See chapters "WHO ARE WE?"(p.6-7) and "WHAT DO WE DO" (p.8-11) of our 2020 sustainability report.
1.2 Business strategy alignment	<p>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.</p> <p>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 Luxembourg Integrated Energy and Climate Plan, Luxembourg Sustainable Finance Roadmap, Luxembourg Sustainable Finance Initiative).</p>	See chapters "TO BECOME A TRANSITION ENabler" (p.12) and "OUR CHALLENGES, IMPACTS AND COMMITMENTS" (p.14). The details of our commitments are presented under Part III "OUR ACHIEVEMENTS IN 2020" (p.20-47).

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
“MATERIALITY ANALYSIS METHODOLOGY NOTE”
(p.50-52)
“IMPACT ANALYSIS METHODOLOGY NOTE”
(p.54-57).

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 customers” 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.

Targets relating to the second most significant impact area “Social inclusion through education and awareness-raising about sustainable development” are more of a qualitative nature and are featured on page 33 of the Sustainability Report.

(*) 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 referring 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.

<p>2.3 Plans for target implementation and monitoring</p>	<p>"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".</p> <p>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, transtion 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.</p> <p>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 Comittee and Office. "</p>	<p>See the chapter "OUR RESPONSIBLE GOVERNANCE" on p.13.</p>
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<p>2.4 Progress on implementing target</p>	<p>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.</p>	<p>See the chapter "ABOUT THIS REPORT" (Part IV) on p.48.</p>
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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 extend the impact analysis from 53% of the outstanding assets to 80% by 2023. 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.

Principle 3 Customers and customers

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

<p>3.1 Policies and practices</p>	<p>"We consider relationships with our customers essential to our stability and ability to create long-term value. Spuerkeess has always put the customer at the center of its interests by creating a universe of easily accessible products. Following our social mission, we define ourselves as a "socially responsible lender".</p> <p>Our policies, processes and operations ensure that high standards of governance, transparency and ethics are maintained. Our code of conduct provides guidance to our employees in their daily decision-making and in their engagement with customers: fairly, responsibly and without discrimination. "</p>	<p>See chapters "WHO ARE WE?" (p.6-7), "WHAT DO WE DO?" (p.8-11), "OUR RESPONSIBLE GOVERNANCE" (p.17-19) and "BANKING ETHICS" (p.46-47).</p>
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3.2 Sustainable practices with customers and customers

Specifically, we take several initiatives showing our support to our customers 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 advise 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 customer-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 customer-facing to enable them to engage with customers, especially those in high impact sectors.

See pages 5, 6, 9 and chapters “STRUCTURING FINANCING SOLUTIONS TO SUPPORT OUR CUSTOMERS IN THEIR TRANSITIO TO SUSTAINABILITY” (p.24-29), “FINANCIAL EDUCATION AND RAISING OF AWARENESS OF SUSTAINABLE DEVELOPMENT” (p.32-33) and “DEVELOPING DIALOGUE, ENGAGING AND PARTNERING WITH STAKEHOLDERS” (p.42-44).

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 Carbon assessment method on Spuerkeess corporate level and develop an advisory tool for government and 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.

See chapters “DEVELOPING DIALOGUE, ENGAGING AND PARTNERING WITH STAKEHOLDERS” (p.42-44), “GOVERNANCE AND ETHICS: BEING AN EMPLOYER AND BANK OF CHOICE” (p.44), “MATERIALITY ANALYSIS METHODOLOGY NOTE” (p.50-52), “IMPACT ANALYSIS METHODOLOGY NOTE” (p.54) as well as section “Sovereign sector (public sector)” (ESG rating in collaboration) (p.55-56) and CARBON ASSESSMENT (collaboration with energiengence) (p.58).

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 "OUR RESPONSIBLE GOVERNANCE" (p.17-18).

5.2 Initiatives and measures	<p>"Our approach to responsible and sustainable banking is led by the Board of Directors, the Management Committee and the committees specifically dedicated to ESG.</p> <p>To ensure commitment to our "Transition Enabler-Strategy" and the "Principles", we involve our employees, among others, through:</p> <ul style="list-style-type: none"> - 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 customers." 	<p>See chapter "OUR RESPONSIBLE GOVERNANCE" (p.17-18).</p>
5.3 Governance structure for implementation of the Principles	<p>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.</p>	<p>See chapter "OUR RESPONSIBLE GOVERNANCE" (p.17-18).</p>

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.

Principle 6	Transparency and accountability	
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We will implement our commitment to these Principles through effective governance and a culture of responsible banking.

6.1 Progress on implementing the Principles for Responsible Banking	<p>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.</p> <p>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.</p>	<p>See chapter "MESSAGE FROM THE EXECUTIVE COMMITTEE" (p.4-5).</p>
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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.

IMPRESSUM

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