

**Sustainable
Development Report**

2021



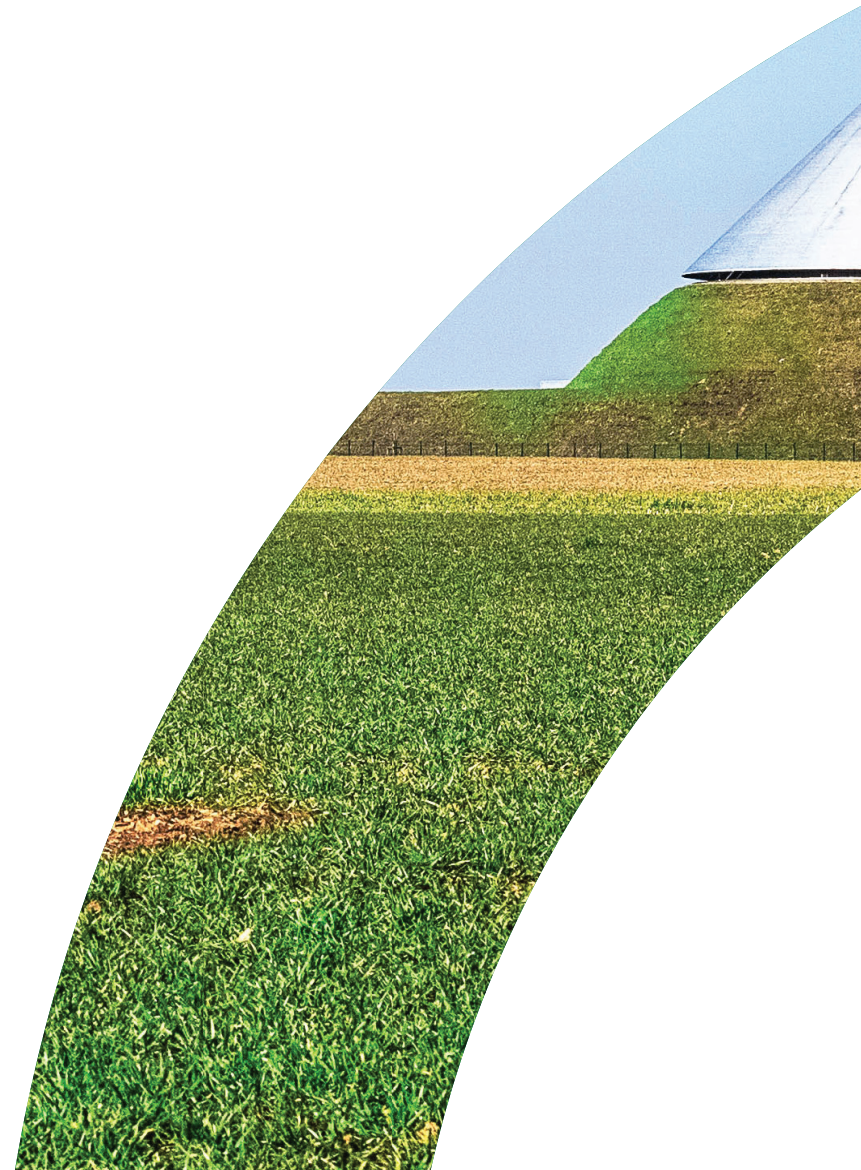




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1. Message from the Executive Committee

As a purpose-driven bank, Spuerkeess continues its journey towards sustainability. The Sustainable Development Committee which is chaired by the CEO with a direct reporting line to the Executive Committee, played a central role in the oversight and monitoring progress of the implementation of the sustainability action plan during the course of 2021. The efforts provided by all the employees of Spuerkeess enabled the latter to implement 69% of our objectives. The remaining 31% remain in progress and we seek a definitive achievement of most of the open items during the first semester 2022.

Despite the many challenges imposed by the global pandemic, Spuerkeess managed to deliver noteworthy results in several sustainable development fields. We were Luxembourg's first bank to commit to the Net-Zero Banking Alliance ("NZBA") and created the "Scientific Advisory Board", thus enabling the access to scientific knowledge and, therefore, further accelerating the transition towards a sustainable economy. In 2021, we added Activmandate Green to our "green" product portfolio, we enabled the financing of renewable energy projects worth EUR 24 million, granted 1.880 student loans as well as approximately 5.000 housing loans out of which 993 were first home acquisitions. In parallel, we managed to decrease our CO₂ emissions on own operations by 21%. As "Employer of Choice", we want to continue to ensure well-being at work by continuously upskilling our employees, offering free tri-annual health checks and maintain our efforts pertaining to the development of diversity at work. With the help of digitalisation, we gradually simplify our internal work processes. Our efforts bear fruit, according to a recent study conducted in 2021, the majority (87%) of our employees feel proud to work for Spuerkeess. The figure "Spuerkeess at a glance" (on page 13) summarises our achievements made in 2021.

We have the ambition to maintain our efforts at a very high level and thus we aim to expand our range in sustainable products and services during the course of 2022.

As Transition Enabler, our ultimate goal is to maintain a resourceful perspective and to consider the sustainable business model as a performance model. With this approach, we want to help our clients shift towards a sustainable economy. We rely on our staff to help us achieve this goal. As a NZBA signatory, we aim to reduce the Financed GHG emissions by 50% by 2030 with an accurate transition plan reaching zero carbon emissions by 2050.

To conclude, we seek to intensify our engagement with our stakeholders, including our customers, suppliers, climate and environmental scientists as well as energy experts. By collaborating closely with these players we plan to develop innovative projects while ensuring compliance with sustainable finance regulations and directives.

* CEO: Chief Executive Officer, COO: Chief Operating Officer, CCO: Chief Commercial Officer, CFO: Chief Financial Officer, CRO: Chief Risk Officer.



From left to right: Doris ENGEL (CFO), Aly KOHLL (COO), Françoise THOMA (CEO), Guy ROSSELJONG (CRO), Romain WEHLES (CCO)*

2. Our purpose and values

2.1 Commitments and Standards

This non-financial report discloses our Environmental, Social and Governance (ESG) performance stemming from both our corporate and core banking activities.

The Non-Financial Reporting Directive 2014/95/EU (NFRD) as implemented by the Luxembourgish law dated 23 July 2016, sets guidelines on how large companies should disclose their non-financial reports.

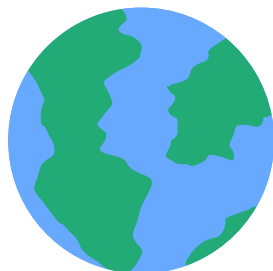
At Spuerkeess, we value honesty and we see the importance of communicating transparently with our stakeholders which are our clients, employees, the Luxembourg State in its quality of owner of Spuerkeess, as well as our partners and Luxembourg's society at large. In 2020, we conducted a materiality analysis based on a dialogue with our internal and external stakeholders. This analysis enabled us to identify the economic, environmental and social topics that shape our activities and monitor their development over time (see Appendix I: Materiality Analysis).

Our report has been prepared in accordance with the GRI Standards 2016 and has been approved by Spuerkeess' Board of Directors on 30 March 2022. In order to promote transparency, quality and consistency in our reporting, Spuerkeess has applied the GRI standards since 2018 and signed the UNEP FI's Principles for Responsible Banking in October 2019. Adhering to these Principles, we progressively align Spuerkeess' strategy with the Sustainable Development Goals and the Paris Agreement. Furthermore, we comply with national frameworks such as PNEC (Plan national intégré en matière d'énergie et de climat pour la période 2021-2030). To conclude, we establish objectives and report annually on the progress made (see Appendix II: Principles for Responsible Banking reporting index).

In late 2021, Spuerkeess committed to the Net-Zero Banking Alliance launched by UNEP FI where the goal is to align loan and investment portfolios to net zero emissions by 2050 or earlier.



2.2 Our purpose



Planet

As a State-owned bank, our mission is defined by our organic law dated March 24, 1989 as amended. Spuerkeess plays a leading role in the economic and social development of Luxembourg. Thus, we aim to support Luxembourg's economy and to contribute to the country's social development via our financing activities.

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



People

Spuerkeess' lending and credit policy follows the principle of a "socially responsible lender". Our responsibility as a banker is to protect our customers from excess debt by making a prudent assessment of their debt service capacities.

The Bank has two other sources of financing: short-term and, to a lesser extent, medium-term financial market debt contracted via three refinancing programmes (ECP, USCP and EMTN), in addition to its own funds, which allow it to target liquidity and solvency ratios that are considerably






Profit

higher than the minimum regulatory requirements. Spuerkeess is the leader in its domestic market, both in terms of savings products and loans. The Bank has successfully built a portfolio of commitments in the local market characterised by a prudent risk profile. Our granting of loans and credits to our retail and professional clients base as well as our investments in debt securities in the international financial markets follow a prudent risk appetite.

2.3 Our ambition

One of the main pillars of our corporate strategy "Spuerkeess 2025" is to adopt a role as "Transition Enabler". Our ambition is to raise awareness among our clients and to support them in their projects that help shape a more sustainable economy.

We aim to achieve the following:

-  Accelerate the ecological transition of our economy and society;
-  Facilitate the digital transition of our economy;
-  Enhance social and financial inclusion by enabling financial literacy.

2.4 Our products and services

Our services

Tweenz Club

for children aged 6 to 12;

Axxess for secondary school students, university students and young workers;

Zebra/Zebra Premium

monthly flat-rate price for retail customers;

Zebra Business/Zebra Business Plus

an all-inclusive banking offer for professional customers and SMEs;

Speedinvest

a digital automated investment product;

MIA app (My Intelligent Assistant)

a digital, customised and freely accessible financial assistant;

The digitised personal loan

for everyone;

S-Net and S-Net Mobile

to manage main banking transactions with just a few clicks;

Lease Plus

all-inclusive car leasing for retail customers.

Our products

LUX-BOND GREEN

LUX-EQUITY GREEN

Activmandate Green

Activinvest

Alternative Savings Account (etika)

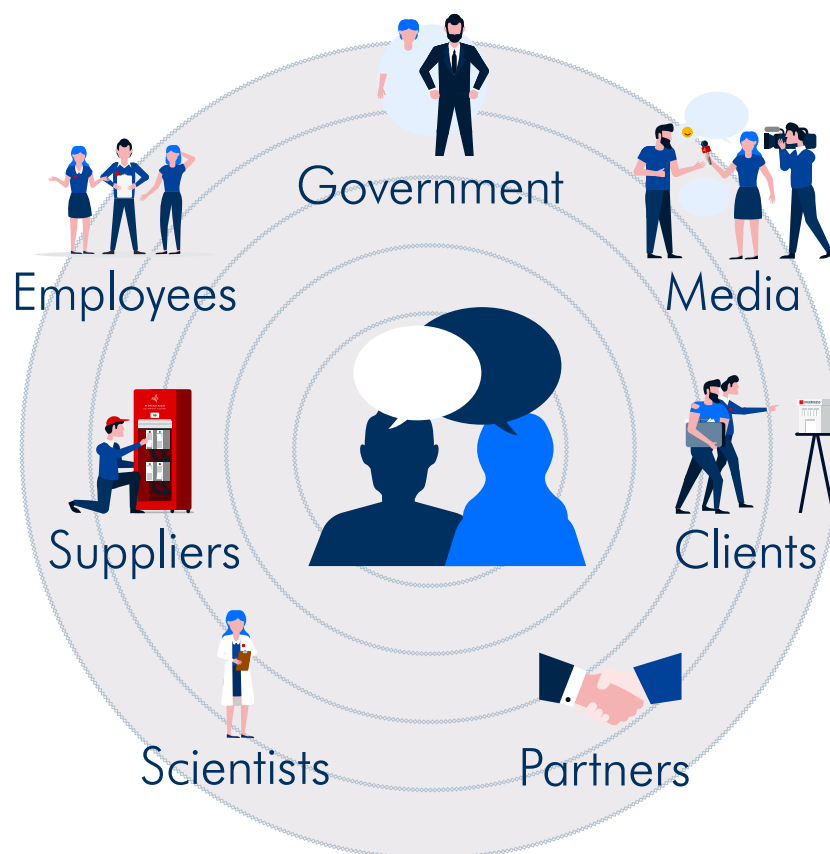


Spuerkeess is also continually expanding its range of sustainable products and services and more particularly with a focus on environmental objectives (further details on page 23).

2.5 Our values

Stakeholder centrality based on our listening approach

People first, not products. At Spuerkeess, we believe that by putting people at the centre of what we do, we act in the common interest of our customers, employees and society. Our efforts bear fruit: the rating agencies *Standard & Poor's* and *Moody's* confirmed our excellent ratings of AA+ and "Long Term Deposit Rating" Aa2. In parallel, we were chosen "Bank of the Year 2021" by The Banker magazine and KPMG awarded us the "Customer Experience Excellence Award".



2.5.1 Stakeholder Centricity

At Spuerkeess, we are convinced that management should always lead by example. Our aim is to meet the needs and wants of our stakeholders via a so-called "outside-in approach". This means that we start by looking at our stakeholders' needs before coming up with solutions. Thus, we foster a humble and human-centred leadership.

In order to improve our customer services and products, we created three advisory boards. Thus, in 2021, we were able to make various improvements for our three main client segments (retail, corporate and institutional). We saw the most important achievements in the ESG compliant products and the enhancement of online banking services.

In 2021, we initiated the Scientific Advisory Board (SAB), made up of twelve climate and environmental experts. The common objective is to enhance an environmental know-how in the financial sector and to set scientific based targets and metrics so that we can better manage and monitor environmental impacts and risks.

In order to adapt to a rapidly changing world and to fulfil the expectations of our digital-first customers, we have expanded the digitalisation of our banking services. Among others, in collaboration with the Ministry of Education, we launched Luxembourg's first digital loan based on blockchain technology.

By regularly highlighting our values, our management aims to create a work culture with a deeper sense of motivation at work. At Spuerkeess, we are convinced that job satisfaction translates into a positive attitude which, in turn, spills over to better client relationships. In other words, motivated employees, alongside an enhanced product and service quality, lead to customer loyalty.



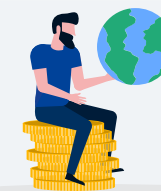
Thus, in order to further strengthen our work culture, we launched in 2021 the online interactive platform "Spark" in which we encourage our employees to share their innovative ideas. The initiative may lead to the launch of new products and services as well as improve the way of working.

Recurring redistribution of our economic value to our stakeholders

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

- Salaries paid to our employees;
- General expenses (mainly in favour of our suppliers);
- Community investments (sponsoring, humanitarian aid, etc.);
- The distribution of part of our yearly profit and taxes paid to the Luxembourg State as Spuerkeess' owner.

Faced with a change in own funds of EUR 812,7 million in 2021 (compared with EUR 239,4 million in 2020 and EUR 77,9 million in 2019), the Bank recorded a total distributed value⁴ of EUR 435,1 million in 2021 (compared with EUR 390,5 million in 2020 and EUR 394,9 million in 2019).



In million euros	31/12/2019	31/12/2020	31/12/2021
Economic value created (Bank Margin) ¹	603,6	595,5	647,1
Value adjustments ²	-60,6	-109,6	36,8
Distributions from the income statement	-354,9	-350,5	-395,1
<i>of which staff costs</i>	-229,7	-237,5	-243,7
<i>of which non-staff-related general expenses</i>	-87,2	-85,8	-97,9
<i>of which taxes</i>	-38	-27,2	-53,5
Income for the year	183,9	135,4	236,8
Change in valuations in own funds ³	-66	144	615,9
Total Comprehensive Income for the year	117,9	279,4	852,7
Distributions from own funds	-40	-40	-40
<i>of which distribution to the State as owner</i>	-40	-40	-40
Value retained after distribution (change in own funds)	77,9	239,4	812,7

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

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

⁴ Sum of the "Distributions from the income statement" and "Distributions from own funds" headings.

2.5.2 Build trust by being transparent

In March 2018, the European Commission published its action plan on sustainable finance. At the heart of this action plan, three major regulations improve transparency for investors and customers so they can make informed decisions:

- a) the Sustainability Financial Disclosure Regulation ((EU) 2019/2088);
- b) the Taxonomy Regulation ((EU) 2020/852) that will apply as from 1 January 2022;
- c) the Corporate Sustainability Reporting Directive (CSRD) which will apply as from 2023.

There is a rising expectation around ESG topics and we put considerable effort into the prevention of greenwashing. We do this by going beyond complying with the above mentioned legal framework.

Source: Annual report 2021

After signing the "Principles for Responsible Banking" in 2019, Spuerkeess was the first Luxembourg-based bank to commit to the "Net-Zero Banking Alliance" in 2021.

As a purpose-driven bank, our corporate communication focuses on communicating our values clearly so that there is a common understanding of our mission amongst our various stakeholders. We do so via digital communication channels, such as our website, social media and online news sites. In autumn 2021, we hosted two webinars in which small and medium-sized entities (SME's) revealed the challenges they face during their transition towards sustainability. We used local media to increase general knowledge around sustainability. We did so via weekly sustainability tips on the radio as well as interviews in print media in which banking and sustainability experts provided insight into the latest trends around ESG topics and Sustainable Finance. Furthermore, we launched the bi-monthly blog "Why does it matter?" in which experts discuss global ESG and digitalisation topics.

2.5.3 Our Responsible Governance

Our success relies on our commitment and the involvement of our entire organisation. Our employees demonstrate their support on a daily basis.

Code of Conduct

Spuerkeess ensures the implementation of the Code of Conduct, which brings all the employees of Spuerkeess together in a single community of values. The Code of Conduct stresses the importance of confidentiality, data protection, the management of conflicts of interest, the fight against corruption, money laundering and terrorist financing.

The status of Spuerkeess and its employees guarantees the principle of non-discrimination on the grounds of inter alia 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 regularly promotes diversity to both its employees and the governing bodies.

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

Internal Governance

The Board of Directors defines Spuerkeess' strategic guidelines and ensures that they are implemented by the Executive Committee. In 2021, ESG topics were among the most important items analysed by the Board of Directors. 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 (SDC), which is chaired by the Chief Executive Officer of the Bank, ensures that the objectives of the Bank's sustainable development strategy are met within the given timeframe. The SDC regularly reports to the Executive Committee on the Bank's progress. Due to the crosscutting nature of the sustainable development strategy, this committee includes representatives from Spuerkeess' various departments such as sales, support and control functions. The SDC also oversees the Bank's exclusion policy.

The Sustainability Office within the Secretary General Department will play a central role in the arbitration of any controversies that may arise from our exclusion policy for investing and lending or any other ethical concerns. The Sustainability Office assists the SDC with the implementation of the sustainable development policy. This entity ensures the consistency of and compliance with methodologies. Furthermore, it is in charge of supervising the implementation of the new legal frameworks pertaining to sustainability topics.

To conclude, the Risk Management function is increasing its involvement as a result of regulatory sustainable finance requirements. Furthermore, the Risk Management Department is currently participating in the climate stress test required by the European Central Bank. The purpose of the stress test consists in challenging the business model resilience of the Bank in order to understand the potential impacts on its business strategy. The Risk Management function will gradually expand the scope of its climate and environmental risk mapping to all of the Bank's operations.

Data Protection and Privacy

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.

(<http://www.spuerkeess.lu/dpp22>)

Cybersecurity

The world has turned digital and there is a rise in sophisticated cyber-attacks. Common causes of security breaches around the world are phishing, hacking and malware. As a responsible bank, we must ensure that our clients' data is safe, especially in the realm of online banking. In order to guarantee adequate online and mobile security, we have implemented automation tools that help us monitor and respond to potential threats. We keep our software up-to-date and use state-of-the-art security technology to guarantee the necessary security levels. We regularly conduct cyber awareness campaigns for our employees and we keep our clients informed about any potential cyber threats.

3. Our ESG strategy

3.1 Our ESG Factbook

At Spuerkeess, we believe that our profitability is closely linked to our sustainability. Being profitable goes hand in hand with the gradual improvement of our environmental and social performance.

We consider our carbon footprint as a material issue that demands both a long-term strategic view and the collaboration of all our stakeholders.

Sustainable growth is based on stability. Products and services that are financially profitable in the long-term can lead to customer loyalty which, in turn, translates into sustainable profitability.

We want to be a Transition Enabler



SPUERKEESS AT A GLANCE: ACHIEVEMENTS 2021

We put people first



Gender ratio F/M

Board: 55/45
Executive: 40/60
Company overall: 41/59



Well-being at work

Turnover rate 1,73%
(without retirement rate)
650 employees in health check
87% of employees proud to work for Spuerkeess
(+4% compared to 2020)



Upskilling

17,50 hours training/employee
(as in 2020)



Financial literacy

Workshops with Uni.lu
Stockmarket learning & gaming
ESG testimonial webinars



Social financing

EUR 66 mio in education
EUR 130 mio in social housing



Supporting communities

EUR 520.000 in sponsoring



We meet our clients' needs



Access to finance

EUR 4.800 mio loans in the economy
(+14% compared to 2020)



Access to housing

4.888 housing loans
of which 993 first homes



Access to banking

152 ATM's across the country
37 out of 54 branches disabled-accessible
+10% S-Net users
540.000 customers requests treated



Customer experience awards

KPMG "Customer Experience Excellence"
"Best Bank" by The Banker



Education

1.880 student loans



We ensure ethics



Stable and safe bank

AA+
EUR 647 mio value created
EUR 435 mio distributed to stakeholders



Responsible lending & investment

Protect our customers from excess debt
Committed to Net-Zero Banking goals
85% of our purchases are local



Sustainability label & award

Renewal of the ESR label
Sustainable Finance Award 2021



Collaborating with scientists

Creation of the Scientific Advisory Board



We fight climate change



ESG finance

Launch of Activmandate Green
(EUR 14,8 mio)
We financed and enabled
the leasing of 743 electric/hybrid cars
We financed and enabled the leasing of
35 electric/hybrid busses
36 etika projects (EUR 21,6 mio)
EUR 24 mio renewable energy projects
Sustainable housing (> EUR 1 billion)



Carbon footprint / own operations

-21% in 2021
Electricity 100%
from renewable sources



Carbon footprint / banking activities

CO₂ emissions calculated on 72% of our
climate relevant exposures



Anti-pollution & waste management

78% ecological cleaning products
Superdreckskschicht label since 1996
264.000 collected butts



source icons: <https://sdgs.un.org/goals>

3.2 Outlook 2022: Our main objectives



Spuerkeess reached 69% of its objectives set in 2021

(see Appendix III for further details).

Overall Bank

At Spuerkeess, we strive to adopt an official ESG rating and define a pathway for improvement over the next years.

Climate Change

As a member of the Net-Zero Banking Alliance, we will define and set a transition plan to decarbonise our balance sheet progressively.

Diversity

We aim to improve our F/M ratio in under-diversified departments.

Our diversity targets within the management bodies in 2022 are as follows:

- Secure at least 20% female ratio at Management Board;
- Secure at least 40% female ratio at Board of Directors.

Financial Literacy

We are planning to raise awareness amongst children and students.

Our financial literacy goals 2022:

- A “sustainability explained to kids” event in summer 2022;
- As every year, we provide school kids with a piggy bank and a voucher which they can either put on their savings account or invest in our investment funds saving plan (S-Invest);
- Stock Market Learning campaign published on our website and social media;
- Investment tips published on our website and social media.

Engage with customers & partners

As Transition Enabler our goal is to support our clients in their shift to sustainability.

- We plan on improving our “Aid and Finance Advice” concept to further accelerate energy renovation, but also to improve other environmental impacts;
- We will develop products and services which allow our customers and partners to seize opportunities by taking up their ESG challenges;
- We engage with our main suppliers by making them sign a Code of Responsible Conduct.

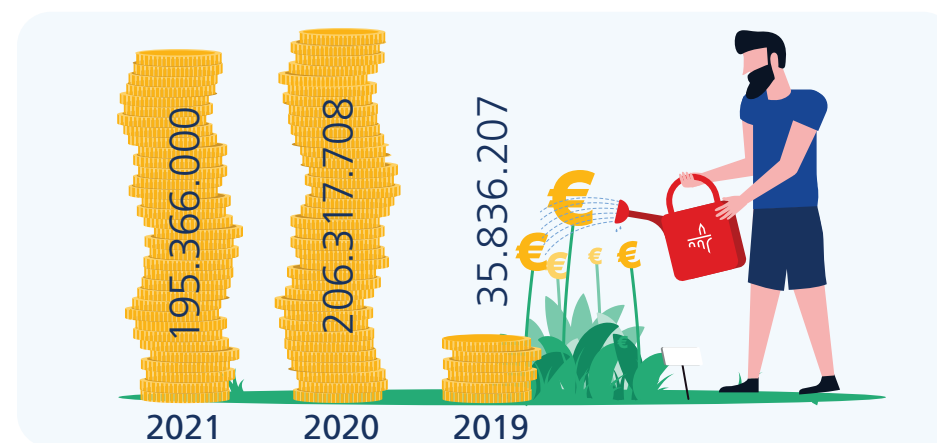
3.3 Focusing on Green & Social Financing

The following figures highlight our investments in green and social financing on a three-year basis and present the main areas of our green and social financing in 2021:

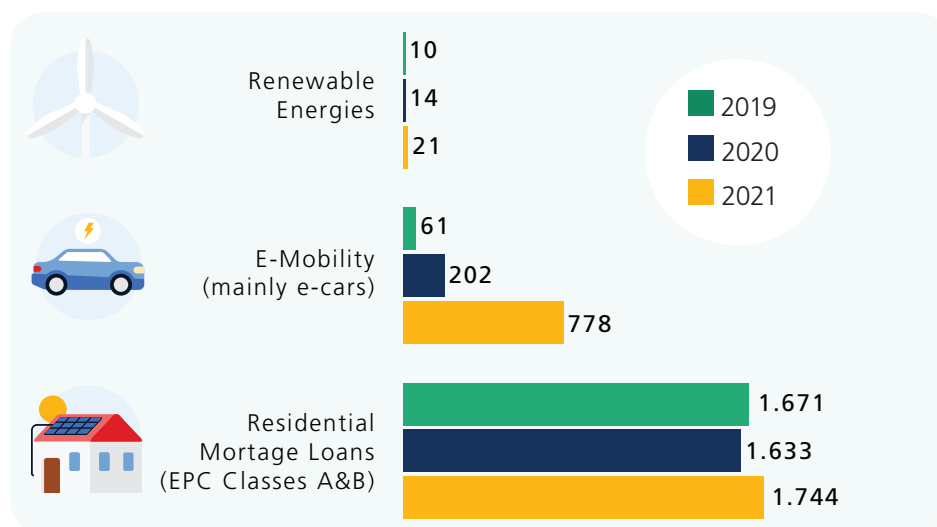
Green Financing (in EUR)



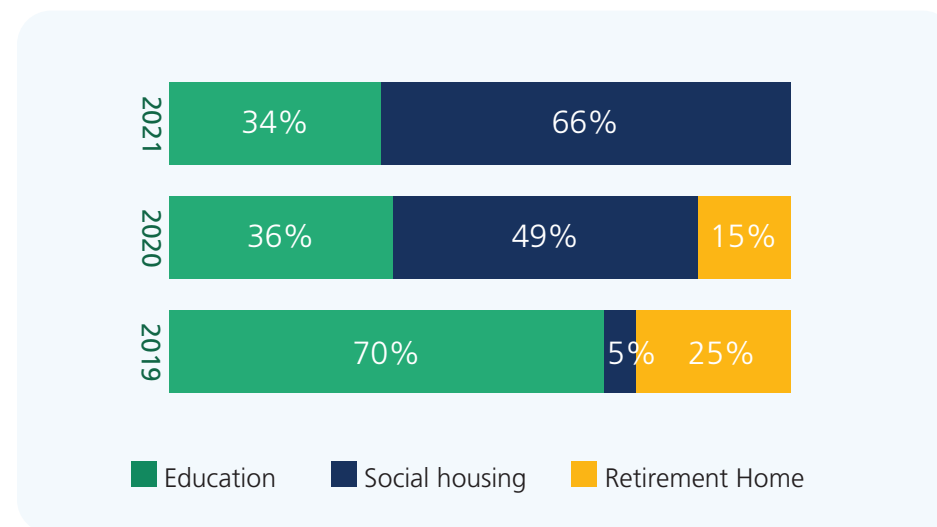
Social Financing (in EUR)



Green Financing (Number of financed projects)



Social Financing by activity (in %)



In 2021, we enabled a total of EUR 65.680.000 in loans for education purposes (local schools and childcare centres) and, in collaboration with the SNHBM (Société Nationale des Habitations à Bon Marché), a total of EUR 129.656.000 in social housing. Thus, we financed the development of social housing and socio-educational projects throughout the country for a total of over EUR 195 million.

In 2021, we contributed to the building and acquisition of 1.744 high energy efficient homes (Energy Performance Classes A and B) in Luxembourg which corresponds to a total of EUR 1.035.607.440. In 2021, we financed and/or enabled the leasing of 743 electric and hybrid cars. Furthermore, we financed and/or enabled the leasing of 35 electric and hybrid busses (Total EUR 22.349.681). In December 2021, we accepted the funding of additional 32 e-busses (planned in January 2022).

3.4 Our carbon footprint 2021

Our carbon footprint 2021 covers the current CO₂e emissions from our own operations (Scope 1, Scope 2 and Scope 3) as well as the financed GHG absolute emissions from banking activities (Scope 3⁵).

Carbon footprint stemming from our own operations:

In tons CO ₂ e ⁶	2020	2021 ⁷	Change
Scope 1: direct emissions	1.843	1.873	2%
Emissions due to the combustion of natural gas	1.536	1.598	
Emissions due to the use of company vehicles	70	38	
Emissions due to refrigerant use	237	237	
Scope 2: indirect emissions (market-based)⁸	75	85	14%
Emissions due to the purchase of electricity	64	72	
Emissions due to the purchase of district heating	11	13	
Scope 3: other indirect emissions	2.612	1.640	-37%
Emissions due to products and services purchased ⁹	2.172	1.233	
Fuel and energy-related emissions	326	325	
Emissions due to waste treatment	114	82	
Total (market-based)	4.530	3.599	-21%

3.4.1 Carbon footprint stemming from our own operations

Spuerkeess managed to reduce the emissions for its own operations by 21% in 2021, mainly due to a reduction of its Scope 3 emissions due to the global pandemic. We saw a reduction in the purchase of IT and printing material (which had already been purchased in 2020) and, with less marketing and sales events, we needed less gadgets and promotional articles. Lastly, with one-third of our staff working remotely, we created less waste in our own banking facilities and branches.

With respect to our Scope 2 emissions, our electricity consumption relies already on 100% renewable sources. Despite the age of some of our buildings and their classification as historic monuments, we have managed to reduce our energy consumption by 39% compared to 2008. However, we believe that the potential for further reductions in energy consumption is limited.

To conclude, we are currently looking for heating alternatives, among which the promising “Chauffage urbain” project led by the Municipality of Luxembourg. This would allow us to progressively shift from fossil fuels to renewables.



Figure: carbon footprint stemming from our own operations:

⁵ The Scope 3 emissions are mainly the result of our banking assets and are stemming at a minor level from our own activities.

⁶ The definition of Spuerkeess' activity data, the data collection process and the CO₂ emissions calculated have been verified by the external company energieageance.

⁷ For the reporting period from 1 January to 31 December 2021, the 2021 carbon assessment method® (version 8.5) was applied to calculate carbon emissions. This methodology is based on international standards, such as the GHG Protocol and the ISO 16064 and 16069 standards.

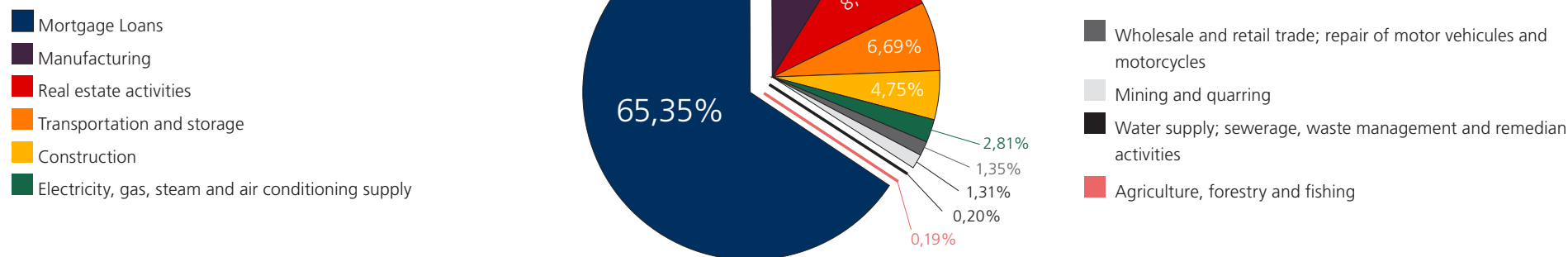
⁸ These emissions are deduced from electricity consumption and are in keeping with the Scope 2 market-based method defined by the GHG Protocol standard. The emission factor was calculated based on the Ecomix product's life cycle analysis.

⁹ The “Emissions due to products and services purchased” includes office and facility management materials.

3.4.2 Carbon footprint stemming from our banking activities

Applying the definition of climate relevant sectors/activities as given by the Regulation (EU) 2020/1818, we found that, as of 31 December 2021, approximately 46% of Spuerkeess' total assets (or EUR 24.905 mio) stem from exposures to climate relevant sectors.

Climate relevant exposures per sector/activity (in %)



For this first year, in which we report on financed GHG absolute emissions, we cover 72% of the exposures on Spuerkeess' climate relevant sectors (EUR 17.917 mio).

The following asset classes are included in our GHG calculation Scope¹⁰:

- National Residential Mortgage loans (EUR 13.941 mio);
- Corporate Bonds (EUR 2.693 mio);
- Corporate Equity (EUR 1.283 mio).

In terms of calculating the financed GHG absolute emissions, we apply the "Global GHG Accounting & Reporting Standard" from the non-governmental organisation Partnership of Carbon Accounting Financials (see Appendix IV: Methodology applied for the calculation of our financed GHG emissions). During 2022, Spuerkeess will enlarge the scope to other assets (e.g. loans, etc.) and fix decarbonisation targets for the Bank's balance sheet, as required by the Net-Zero Banking Alliance.

The following figure shows the financed GHG emissions (tons of CO₂e) as well as the carbon footprint per asset class for the chosen **GHG calculation scope**.

Asset Class	Exposures (in EUR mio)	Financed Scope 1 & 2 Emissions (tons of CO ₂ e)	Financed Scope 3 Emissions (tons of CO ₂ e)	Total Financed GHG Emissions (tons of CO ₂ e)	Carbon footprint (tons of CO ₂ e /EUR mio of exposures)
National Residential Mortgage loans	13.941	146.248	-	146.248	10,49
Corporate bonds	2.693	299.161	1.077.968	1.377.129	511,37
Corporate equities	1.283	339.435	-	339.435	264,56
Total	17.917	784.844	1.077.968	1.862.812	103,97

Aligned to PCAF, we only included Scope 3 emissions for the oil & gas and mining sectors in our corporate bonds financed GHG emissions and carbon footprint calculations.

¹⁰We only consider exposures where data availability and quality are compliant with PCAF requirements. Therefore, SME and Corporate loans as well as a subset of the residential mortgage loan portfolio were excluded from the GHG calculation scope.

3.4.3 Participation in the PACTA project: focus on listed corporate bonds

Spuerkeess participated in “PACTA (Paris Agreement Capital Transition Assessment) Coordinated Project Luxembourg”, organised by the Ministry of Finance, Luxembourg as well as “2 Degrees Investing Initiative” (2dii), a non-profit think tank which aims to align financial markets and regulations with the Paris Agreement goals. The main goal of this project was to help financial institutions to understand where the investments are standing regarding Paris benchmarks and to assess the necessary follow-up actions that should be taken to become “Paris-aligned”.

A Climate Scenario Analysis was applied by PACTA to Spuerkeess' Corporate Bond Portfolio on climate sensitive sectors (covered by PACTA)¹¹.

The Climate Alignment Report of PACTA issued on 31 January 2022, shows that Spuerkeess' Corporate Bond Portfolio had at the reference date on the 31 December 2021 outstanding exposures of more or less EUR 650 mio on the sectors covered by PACTA, with main exposures on the 3 following sectors:

- Power,
- Oil & Gas,
- Automotive.

In order to define the alignment gap for Spuerkeess' holdings in these three sectors, PACTA considers the evolution of the underlying technology of these assets on a five year forward-looking basis.

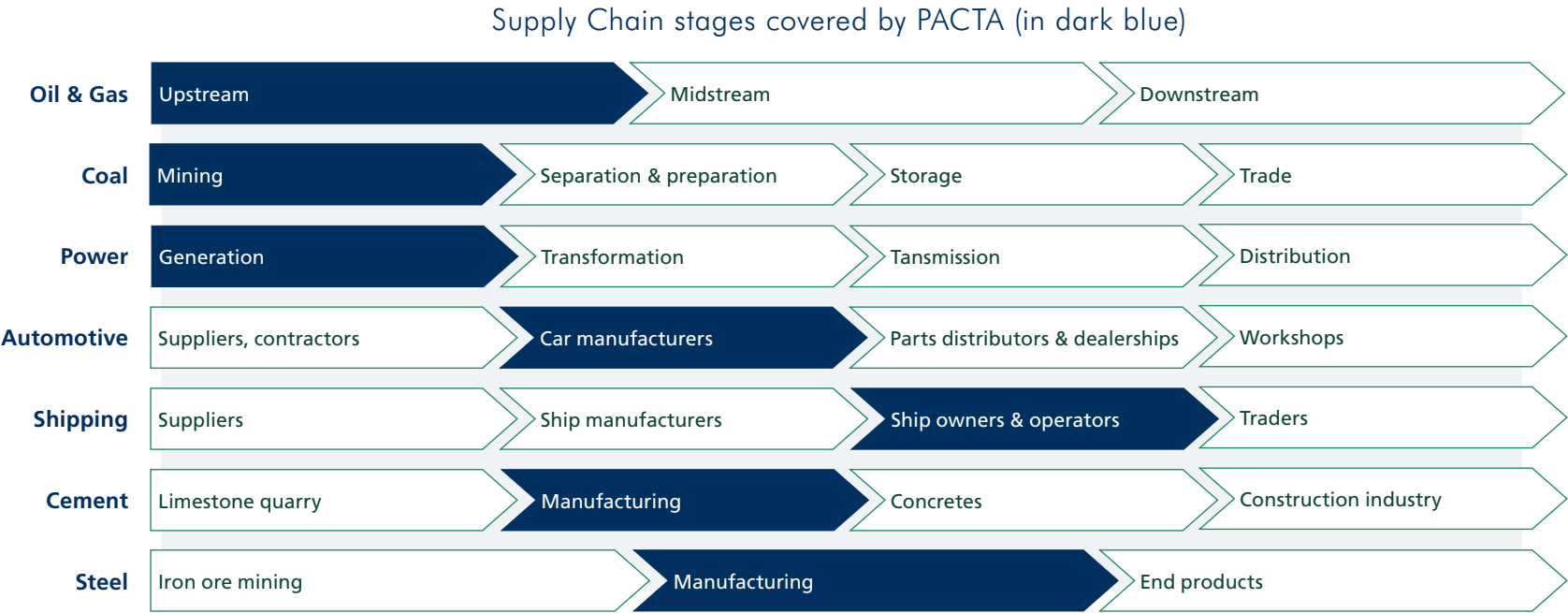
We come to the conclusion that among the technologies underlying the companies in which Spuerkeess' Bond Portfolio is invested,

- the share of renewable energy is underweighted;
- the share of automotive ICE¹² is overweighted

compared to portfolios aligned with the 1,5° and 2° climate scenario, whereas technologies like coal, gas and oil are more or less aligned to the aforementioned climate scenario.

¹²automotive ICE:
Internal Combustion Engine.

¹¹Climate sensitive sector coverage of PACTA: Power (renewables, coal, hydro, nuclear, gas, oil), Fossil Fuel, Automobile, Cement, Steel, Aviation and Shipping.



Source: PACTA Knowledge Hub, 2021



4. How we create impact

4.1 We want to be a Transition Enabler

Helping our clients with their environmental transition reduces risks and creates new commercial opportunities.

As Transition Enabler, we have to tune in to the needs of our clients and stakeholders. Our approach consists of four steps:

- **We raise awareness around climate-related and environmental risks and opportunities by providing adequate training to our employees and seek meaningful conversation with our clients:**

- 133 employees participated in a basic ESG training “The ABC ESG - Introduction to Basic Sustainable Finance Concepts”;
- Our Facility Management & Logistics Business Unit, in cooperation with energieagence, trained a total of around 130 SME's and Housing Loan advisors on the topics of renovation and electro-mobility in order to acquire technical know-how to improve their advisor skills;
- We organised two “Challenge Sustainability” webinars in which SME's revealed their challenges when implementing sustainability into their companies;
- 527 ESG mortgage loan questionnaires were completed by customers (during the last quarter of 2021);
- We published weekly ESG sustainability tips on social and local media.

- **In order to rethink our investment and loan policy as well as to improve our relationship with our clients, we connect our clients with relevant partners.**

Thus, we have partnered up with the following technical experts:

- energieagence in order to accelerate the transition through energy renovation;
- Fräie Lëtzebuerger Bauerverband (FLB) in order to understand the challenges and opportunities met by Luxembourg's farmers;

- Scientists from various disciplines. The main objective of our “Scientific Advisory Board” is to advise the Bank on environmental risk management while taking regulatory requirements into account.

- **We develop sustainable products and services for our clients.**

In 2021,

- we further developed our “Aid and Financing Advice” to accelerate energy renovation,
- we started developing a sustainability-linked loan rewarding ecological renovation projects. The loans will be launched in 2022 and labelled by our partner etika,
- we launched “Activmandate Green”, a portfolio management service focused on investments that contribute to sustainable development goals.

- **We target, measure and disclose impacts to limit harmful flows of finance, to decarbonise our balance sheet and to push innovation while supporting our economy.**

- We participate in ECB climate-related and environmental stress tests;
- We calculate “PCAF compliant” GHG emissions of climate relevant exposures in our balance sheet and define transition pathways;
- We participate in PACTA project to measure alignment of our Corporate Bond portfolio under different climate scenarios.



4.2 Our Climate Policy

4.2.1 Transition risks

Some sectors are facing real challenges when transitioning to a sustainable economy. In order to manage transition risks, we need to progressively reduce the carbon footprint of our investments in sectors that are climate relevant and we have to increase the share of EU taxonomy aligned assets. In parallel, we must help our clients shift to a low-carbon economy, thus avoiding future climate-related financial risks while ensuring the resilience of their business models.

We need to develop a “transition plan” towards Net-Zero:

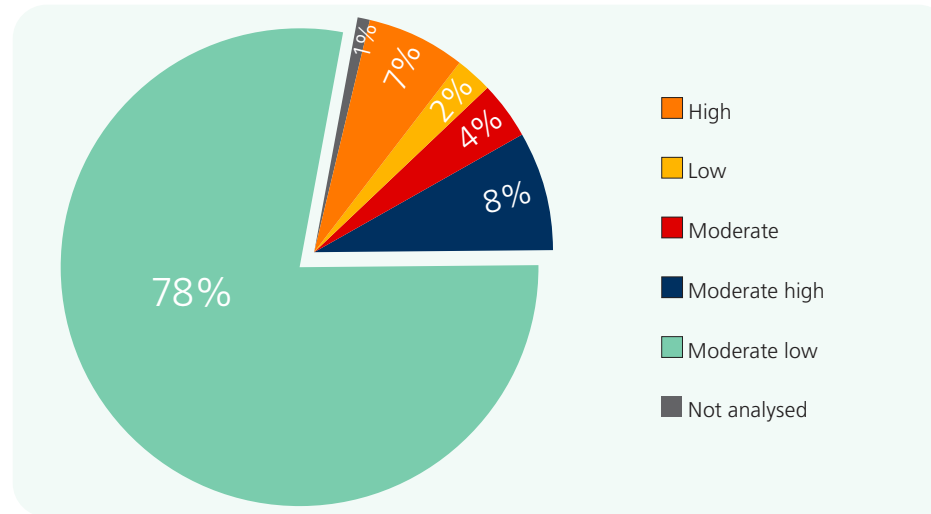
Banks that have committed to the Net-Zero Banking Alliance are required to set out a transition/action plan with sector specific targets to reduce their carbon footprint. Furthermore, they are required to publish evidence on the actions taken. We will have to follow scientific pathways according to our best available economic and technological knowledge. This will enable the real economy to transit to Net-Zero by 2050.

Identifying transition risk at sector or asset level

In order to provide a first transition risk assessment, we mapped the exposures of our investment and financing portfolio on climate relevant sectors with a sectoral Transition Risk Heatmap which has been developed by 41 international banks - under the guidance of UNEP FI¹³. This provides a first indication of financial pressure that transition risk can exert on different sectors depending on their sensitivity to direct emission costs (e.g. carbon price), to indirect emission costs (e.g. energy price) or to low-carbon capital expenditures requirements.

The figure shows how the Bank's climate-related exposures are potentially impacted by “direct emission costs” risk factor:

Exposures by “direct emission costs” risk factor
(climate relevant sectors)



About 15% of Spuerkeess's exposures in climate relevant sectors can be considered to be high or moderately high impacted by the risk factor “carbon price”. Main sectors concerned are:

- Transportation and storage;
- Manufacturing;
- Electricity, gas, steam and air conditioning supply.

What are our main levers to reach Net-Zero by 2050?

- We want to limit financing flows to harmful activities. Spuerkeess excludes companies whose revenues from coal activities (e.g. mining, power) exceed 10% of their total revenue and companies whose revenues from unconventional fossil fuels exceed 5%. An exclusion policy applies also to palm oil producers depending on their percentage of RSPO¹⁴ revenue, controversial weaponry manufacturers and also companies involved in deforestation.

- We decarbonise our balance sheet and economy. We create ongoing impact on our most important climate relevant exposures. We do so by improving constantly the average Energy Performance Classes of our Real Estate loans portfolio through renovation of real estate or by aligning progressively our investments with the Paris Agreement for Climate.
- Finance innovation: We finance e-cars, wind parks, solar panels.
- We invest in clean energy projects, which are EU taxonomy compliant.

We follow Luxembourg's integrated National Energy and Climate Plan for 2021-2030. The plan foresees “to switch 20% of all cash flows to green finance by 2025 and become a globally recognised financial centre for investments in energy efficiency, renewable energy sector and hydrogen mobility”.

As for 2030, Luxembourg's ambition is to reduce the emissions by 55%.



¹³ UNEP FI's publication “Beyond the Horizon” provides a general overview of the Sectoral Transition Risk Segmentation.

¹⁴ RSPO = Roundtable on Sustainable Palm Oil.

4.2.2 Physical risks

Floods and droughts will worsen in the future and potentially harm the substance and value of our clients, investors, debtors and our own assets. Physical risk due to climate change must be identified and their financial impacts have to be assessed under different climate scenarios. We started a cooperation with LIST (Luxembourg Institute for Science and Technology) to develop short/medium term as well as long term climate models that will allow us to estimate, under different scenarios, the financial impact of floods and droughts on Spuerkeess loan portfolio.

4.3 Our role in society: Putting people first

We set our focus on five areas in order to reach our long-term goal to contribute to a sustainable economy.

4.3.1 To focus on people and culture

Our aim is to be an "Employer of choice" and to create quality jobs that stimulate our employees. All our employees are under indefinite term contracts, most of which are covered by the favourable provisions of the status of State employees. The majority of our employees are hired under public sector terms; in 2021, only 9 employees were employed under private sector terms.

Our annual employee satisfaction survey

767 employees (46%) participated in our annual employee satisfaction survey. Based on the results, our engagement index remains high. Employee satisfaction has risen, in 2021 we obtained even higher scores than the previous year. According to the survey:

- 87% of our employees are proud to work for Spuerkeess (+4% compared to 2020);
- 85% of our employees think that Spuerkeess is a good employer (+4% compared to 2020);
- 75% of our employees feel professionally fulfilled (+3% compared to 2020);
- 90% of our employees see themselves still working for Spuerkeess in the coming two years (+3% compared to 2020).

Human rights

In 2021, we participated in a human rights working group organised by the Chamber of Commerce, Luxembourg in which we defined best practices and guidelines. Our main objective is to create awareness and engage our stakeholders to progressively consider human rights in our supply chain. Thus, in collaboration with six of our suppliers, we organised a "Corporate Responsible Practices Convention".

Health of our employees

On a tri-annual basis we invite our employees to make a voluntary physical and mental health check. Approximately 650 employees (more than one-third of our staff) participated in this health assessment in 2021. The aggregated statistical results of the health check will be available from 2022 on. The results are anonymous so that they cannot be tracked back to individuals. Once we have analysed the results of the study, we will organise health conferences in which we will provide health tips for our employees.

During 2021, approximately one-third of our employees worked remotely. Throughout the entire year, we provided all our employees with free masks and free rapid antigen tests. To conclude, around 300 employees (16%) received a vaccination against the annual flu in autumn 2021.

Leadership and future talents

In 2020, we implemented a new "Competency Framework" with the aim to drive forward both our leadership and future talents programs. Since we installed a new digital tool in our human resources department, we needed to make some adaptations in 2021. We added segments in our employee evaluation in order to better perceive their qualities and fields of expertise. The main objective is to attract new talents and to continuously develop our existing work force. We believe this approach enhances self-realisation of our employees and, thus, increases the global well-being at work.

In terms of leadership development, we invested in solutions to help our managers become more resilient and face the various challenges of these uncertain times. Managing people demands a flexible leadership style and team managers must adapt to the given circumstances. During 2021, we held five training sessions in which 80 managers received insight into the role of a leader, change management as well as emotional and collective intelligence. In order to develop programs on how to manage distant and hybrid teams, our "HR & People Management" team joined forces with two external providers. One of the two workshops was dedicated to the network of branches and touched 37 Head of Finance Centres and Deputies. This interactive e-learning course was complemented by small group coaching sessions led by our internal leadership coach. This workshop went beyond the theoretical part and enabled the creation of action plans that are adapted to real life challenges.

The second program targeted the Heads of our Business Units as well as their Deputies. We produced videos and added them to the complementary group coaching sessions which were conducted by our leadership coach. Each webinar reached approximately 80 participants.

To conclude, nine practical workshops around skills frameworks were delivered to specific entities allowing the participants to set up their own individual competency profile.

Upskilling

We want to encourage our employees to progress in their career and develop their skills via a diversified training offer. In 2021, our employees invested on average 17,5 hours in their upskilling. Furthermore, 12 employees participated in an internal working group in which they shared their ideas for new projects around diversity and inclusion. Thus, they were able to actively participate in our decision-making process.

MindyourSelf@Stress

Job stress can lead to poor mental and physical health as well as job dissatisfaction and failure. Our goal is to increase the well-being in the workplace and to reduce the level of stress among our employees. We are aware of the fact that, in the age of digital communication, it is not easy to juggle between work and private life. In 2021, we therefore launched the project MindyourSelf@Stress. In order to make an informed decision, we conducted a quantitative research asking our employees to provide insight into their perceived stress levels. 480 employees (26% of our total workforce) participated in the survey. The results of the survey showed that the majority (90%) lead a stress-free life, 9%, however, feel slightly stressed while 1% of our employees claim to operate under high stress. Based on this insight, we are planning future workshops to help our employees reduce their stress levels, whether work- or private life-related.

Throughout the year, we offered various workshops, such as the series "Bien-être" in which our employees were given the opportunity to increase their general knowledge around well-being at work (e.g. stress resilience, smart home-work strategies). All in all, 188 Spuerkeess employees participated in these classes.

Diversity

Our long-term goal is to close the gender gap. We believe that awareness will strengthen gender equality within our bank. Thus, in autumn 2021, we carried out a survey and the results were presented and discussed in an internal webinar. After having signed the IMS Diversity Charter in October 2020, we are still very committed to maintaining diversity and inclusion within our bank. We want to ensure fair and non-discriminatory working conditions and to create a healthy and motivating work environment for our employees.

Financial literacy

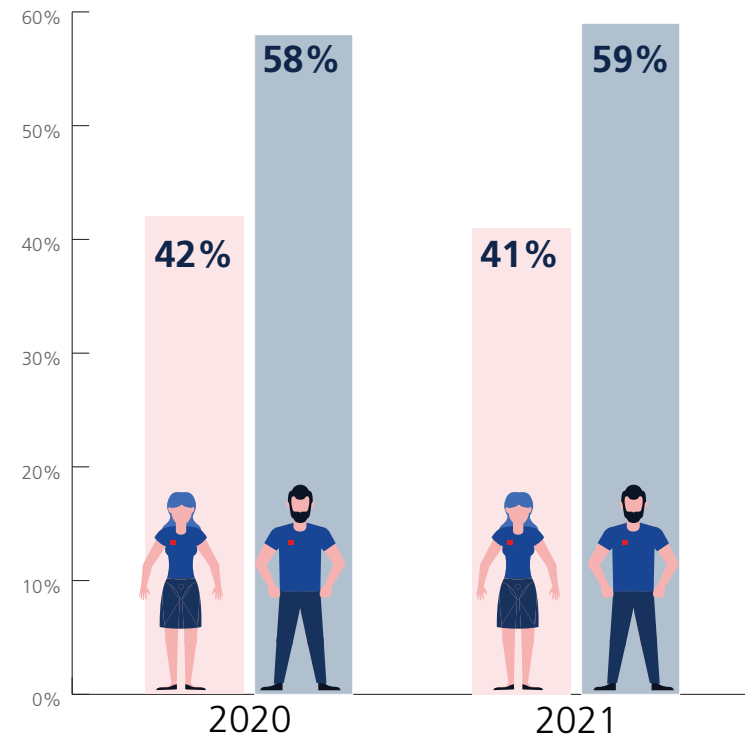
In partnership with the University of Luxembourg, we launched a workshop series with the aim to educate our various stakeholders on trending financial topics. The first session was held in November 2021, attracting a total of 50 participants. The next workshops will take place in the first half of 2022.

In 2021, we reintroduced "Stock Market Learning" (formerly "Planspiel Börse") to deliver education through gamification. The aim of the game is to provide information about the stock market and teach the participants how to invest their money. All in all, 250 employees and 464 clients participated in this financial education project.

In 2021, we continued our partnership with ABL's Zumer Academy in which we offer financial literacy courses to adults with migration background. Additionally, 10 Spuerkeess employees were able to share their knowledge via "Woch vun de Suen" (Money Week). Thus, Spuerkeess enabled the coaching of 11 year old school children who gathered basic knowledge around how to handle money, savings and cost of living.

Our gender ratio

(2021 versus 2020)



2021: 59% men – 41% women (total number of employees 1.854)

2020: 58% men – 42% women (total number of employees 1.859)

4.3.2 To invest in and support our communities

For the past two decades, Spuerkeess has partnered with the non-profit organisation etika, developing ethical financing possibilities. The holders of ethical savings accounts waive part of their financial return on investment and thereby drive sustainable finance. In 2021, 36 sustainable companies and projects received a total amount of EUR 21.275.476.

We support talented craftsmen from Luxembourg and the Greater Region via our bi-annual "Biennale des Métiers d'Art". Last year's edition was hosted in one of our historical buildings in November 2021. The gallery showed an unprecedented collection of nearly 300 artisanal masterpieces which attracted many visitors.

To conclude, in 2021, we issued a total of 1.880 student loans (CEDIES) and we spent a total amount of EUR 520.143,23 to support children and women in need, students, the homeless, start-ups as well as various projects protecting the environment.

4.3.3 To support a sustainable economy

Part of our five year strategy plan, Spuerkeess 2025, is to support our professional clients throughout their life cycle. Business transfer is one of the key moments when future business owners need financial support. Financially speaking, a takeover is often difficult due to the successor's lack of equity. Our solution should enhance the business transfer process by taking more risks and offering innovative financing solutions. Beside of a traditional financing (senior loans), we will be able to offer junior loans (subordinated loans) from early 2022 on. Among other things, this type of financing has the advantage of reducing the amount of regular repayments. Therefore, the company will have sufficient cash-flow to develop its business and to evolve with more stability. We offer this possibility to SME's, provided they are based in Luxembourg, have a positive profitability track-record and are in line with our ESG policy.

Our priority is to support our clients in their energy efficiency projects and make them aware of the available aids and grants. In 2021, we performed under our service "Aid and Financing Advice" about 1.300 home improvement advices to mainly retail customers.

In 2019, we launched, together with our group management company "BCEE-AM", the *LUX-BOND GREEN Sicav* (aligned with Art 9 SFDR) and since 2020 we have been offering the *LUX-EQUITY GREEN Sicav* (aligned with Art 8 SFDR) an undertaking in collective investments which invests in projects that seek to improve their environmental footprints - while respecting social criteria. At the end of 2021, we added the brand new product *Activmandate Green* to our sustainable products offering our clients a portfolio management service complying with SFDR Art 9 requirements

As seen previously, going digital has strengthened our competitiveness, especially when facing (and partnering with) newcomers from the FinTech world.

Activmandate Green

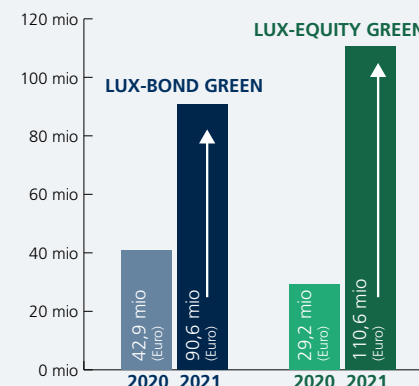
Net assets at 31/12/21: EUR 14,8 mio

LUX-BOND GREEN

Net assets at 31/12/21: EUR 90,6 mio

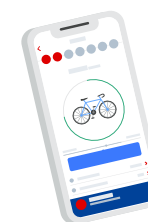
LUX-EQUITY GREEN

Net assets at 31/12/21: EUR 110,6 mio



By supporting our professional clients with their innovation projects, we contribute to Luxembourg's digitalisation. In collaboration with the *European Investment Fund*, we actively support our SME clients (small and medium-sized enterprises). Since 2019, we have funded more or less EUR 15 mio in digitisation and innovation projects.

In collaboration with our partner *nyuko*, we aim to support entrepreneurs that are setting up their businesses in Luxembourg. *nyuko*'s services are free of charge and are aimed at local entrepreneurs that are starting their business. In 2021, 410 entrepreneurs participated in one of the four support programs of *nyuko* based on the essential steps of challenging, structuring, validating and/or launching their business idea. Given the low interest rates and upward trend in the financial markets, we want our clients to develop their decision-making skills regarding their investment options. As our clients have the opportunity to invest through S-Invest and S-Net, financial education plays an important role in imparting knowledge. We want our clients to diversify their savings products in the long term, so we are currently actively promoting our robo-advisor "Speedinvest" exclusively available on S-Net.



To conclude, in 2021, Global Finance awarded us the Sustainable Finance award "Financial Leader in Sustaining Communities in Western Europe 2021".

5. About this report

Scope of the report

Once a year, Spuerkeess publishes a report on its non-financial performance. This report provides an overview of the main sustainable development issues for the period from 1 January to 31 December 2021, aligned with Spuerkeess' management report. The previous report for the financial year 2020 was published in April 2021. The next report will be published in April 2023 and will relate to the data for 2022. This fifth 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.

In April 2021, the European Commission adopted the proposal of the Corporate Sustainability Reporting Directive (CSRD) which will replace the NFRD in 2023. The goal is to enhance transparency and to improve the quality of ESG data, providing companies and investors with comparable and reliable sustainability information.

The report covers all the activities, without any exception, carried out by the Group's main legal entity, Banque et Caisse d'Epargne de l'Etat, Luxembourg. Our head office is situated at 1, Place de Metz L-1930 Luxembourg.

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 second time in April 2022, and in which we refer to the paragraphs of this report that relate to the following 6 principles:

1. Alignment of the Bank's strategy with the SDG's, 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. exchange with our stakeholders in order to set and achieve our goals,
5. development and promotion of a culture that encourages the implementation of the PRB within Spuerkeess,
6. transparent and honest communication.

Given the Bank's alignment with the Global Reporting Initiative (GRI) standards since 2018, this report has been prepared in accordance with the GRI 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.

Audit report

An external audit has been performed by Forethix SA, an independent auditor, for the first time for this report in connection with our status as a signatory of the Principles for Responsible Banking.

Significant changes

No significant changes have been made compared with previous reporting periods. The review of our materiality matrix in 2020 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



6. Appendixes

6.1 Appendix I: Materiality Analysis

Materiality analysis methodology note

A central focus of our engagement with our stakeholders is the conducting of a materiality analysis based on our internal and external stakeholder dialogue and engagement 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.

The steps in the materiality analysis are as follows:

1. Identification of material themes

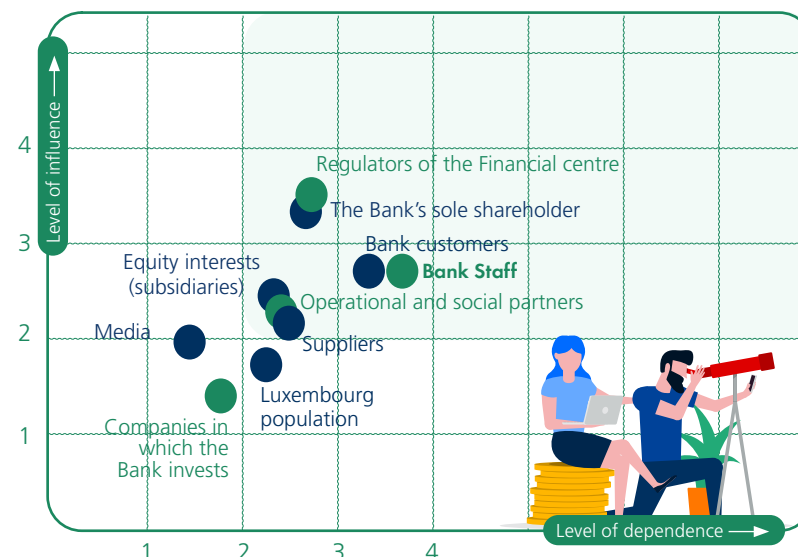
This identification was carried out based on:

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

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

2. Mapping and rating of stakeholders

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



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

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

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

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

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

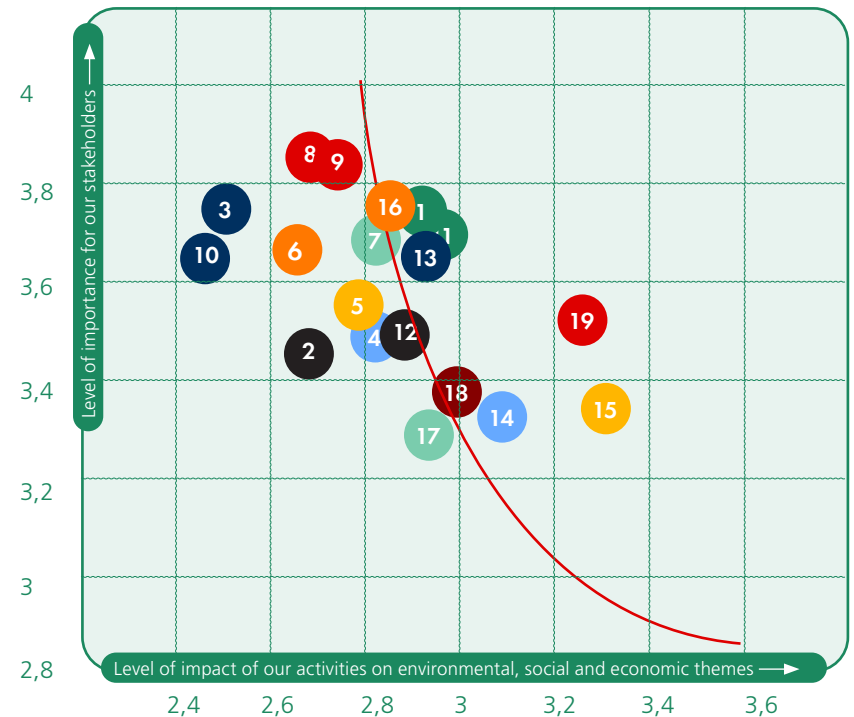
Themes

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

- 1 - Guaranteeing the Bank's long-term sustainable profitability,
- 11 - Training and professional development,
- 13 - Adopting ethical behaviour towards employees, customers, partners and suppliers,
- 14 - Developing products/services that encourage social inclusion,
- 15 - Developing products/services that promote the environmental transition,
- 16 - Protecting the 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/or 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 or will be defined for all the priority themes in order to achieve the objectives presented in this report, and the results will be communicated during the next reporting cycle. Spuerkeess also aims to reinforce its 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.

For information about the achievement of our objectives set in 2021, please refer to Appendix III.



6.2 Appendix II: 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 24 of our 2021 sustainability report).

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.



Independent Practitioner Limited Assurance Statement



INDEPENDENT PRACTITIONER'S
LIMITED ASSURANCE STATEMENT
on selected responses within Spuerkeess's Principles for Responsible Banking Self-Assessment

Forethix ("the Independent Practitioner") have been engaged by the Management of Spuerkeess to perform a limited assurance engagement on the Self-Assessment of the Principles for Responsible Banking for the reporting period from January, 1st 2021 to December, 31st 2021, disclosed in the Sustainable Development Report 2021. With regard to the Spuerkeess' Self-Assessment of its commitments as a signatory of the Principles for Responsible Banking (PRB), the assurance engagement has covered the following areas for the period 2021, including the responses to the questions subjected to assurance defined by UNEP Finance Initiative (UNEP Finance Initiative's PRB Reporting and Self-Assessment Template questions): [2.1] Impact Analysis, [2.2] Target Setting, [2.3] Plans for Target Implementation and Monitoring, [2.4] Progress of Implementation Targets, [5.3] Governance Structure for Implementation of the Principles, [6.1] Progress of Implementing the Principles for Responsible Banking.

Company's responsibility

Spuerkeess is responsible for preparing the Sustainability information in accordance with the reporting criteria as set out in the Sustainable Development Report 2021, the Global Reporting Initiative Standards (2016), the Global GHG Accounting and Reporting Standard for the Financial Industry (2020) of the Partnership for Carbon Accounting Financials (PCAF) and the Principles for Responsible Banking from United Nations Environment Programme Finance Initiative (UNEP FI). This responsibility also includes the internal control which is deemed necessary to establish a sustainability report that does not contain material misstatement, whether due to fraud or error.

Practitioner's responsibility

Our responsibility is to express a limited assurance conclusion on the answers provided in the Principles for Responsible Banking Self-Assessment and in alignment with the AA1000 AccountAbility Principles (2018) : Materiality, Inclusivity, Responsiveness and Impact. We conducted our limited assurance engagement in accordance with the international standard : AA1000 Assurance Standard V3.

Practitioner's independence & quality control

We are an AA1000 Assurance Provider firm, specialized in responsible investment and corporate responsibility. We have implemented a Code of Practices aligned with AA1000AS V3 to maintain high ethical standards in the assurance missions. We are particularly careful to avoid any conflict of interest. All members of the assurance team are independent from their client including any ongoing or potential relationships (including financial, report preparation, governance, and ownership positions) that could be

perceived to affect the assurance provider's ability to provide an independent and impartial statement.

Methodology

Our assurance engagement was planned and performed during the time period from March to April 2022. Our work consisted of, amongst others, the following procedures:

1. Interviewing a representative of management and employees responsible for sustainability reporting practices to understand the mechanisms and processes, and governance structure for preparing, presenting, monitoring and controlling disclosure of the Assured PRB Self-Assessment Responses.
2. Reviewing the relevant processes and systems with regard to the documentary evidences provided by Spuerkeess : methodological note and results of the impact assessments, internal policies, governance practices, ESG risk management approach, etc.
3. Testing the accuracy and completeness of the information from original documents between the Principles for Responsible Banking Self-Assessment and the Sustainability report from Spuerkeess.
4. Considering the disclosure and presentation of sustainability information.

Limited Assurance Conclusion

Based on the limited assurance procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that Spuerkeess' information, from the responses of the self-assessment of the Principles for Responsible Banking, for the reporting period ended 31 December 2021 is not prepared, in all material respects, in accordance with the reporting standard. The inherent limitations to the accuracy and completeness of the Principles for Responsible Banking Self-Assessment information and data should be taken into consideration. Our assurance report has been prepared in accordance with the terms of our engagement. We do not accept, or assume responsibility to anyone else, except to Spuerkeess for our work, for this report, or for the conclusions that we have reached.

Recommendations

We encourage Spuerkeess to pursue its sustainability initiatives and we recommend the following developments :

1. Reinforce the materiality analysis to integrate the inside-out/outside-in approach based on international standards ;
2. Specify an action plan to define a decarbonization trajectory ;
3. Expand the finance literacy objectives and initiatives to increase awareness and knowledge from children and students in the community.

Luxembourg, April 22nd, 2022

Stéphanie DELTENRE



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Requirements	Bank's response and self-assessment	Reporting reference
Principle 1	Alignment	
	We will align our business strategy in order to contribute to society's goals. Thus, we align with 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. We offer a comprehensive range of banking and finance products and services. Spuerkeess caters to all customer categories (private, professional, institutional, etc.) in all sectors, with the objective to satisfy their needs for day-to-day management, financing, savings and investments, means of payment, and more.</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". We protect our customers from excess debt by making a prudent assessment of their debts service capacities. Moreover, Spuerkeess financed 993 first homes (page 4) as well as a total of EUR 195 mio in social financing covering education, social housing and retirement homes (page 15).</p>	See the chapter 2.2 Our Purpose (page 6) of our 2021 Sustainable Development Report.
1.2 Business strategy alignment	<p>In early 2021, Spuerkeess' Board of Directors approved the Bank's Corporate Business Strategy 2025. It integrates sustainability as a transverse pillar covering all our banking and non-banking activities. Our Sustainability Policy is based on Spuerkeess' ambition to become a 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 and Partnership of Carbon Accounting Financials (PCAF) methodology (since 2021) to calculate Financed GHG emissions on exposures dated 31/12/2021, covering 72% of climate relevant assets in our balance sheet (page 17).</p> <p>We are progressively aligning 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.</p> <p>The priorities we had fixed as a result of the materiality analysis we performed at end 2020, support 11 of the 17 United Nations Sustainable Development Goals and respond to our most material issues. The achievements of 2021, responding to our most material issues, are presented under "3.1 Our ESG Factbook" on pages 12 and 13. 69% of the objectives we set were reached in 2021 (see Appendix III) whereas the remaining 31% will be closed in Q2 2022. The Outlook 2022 (page 14) shows main areas of development planned by Spuerkeess during 2022.</p> <p>Spuerkeess has initiated its process of alignment towards the Paris Climate Agreement, and is integrating the priorities of the European Green Deal, implementing the elements of the European Sustainable Finance Action Plan and supporting national sustainability initiatives ("PNEC"- Luxembourg Integrated Energy and Climate Plan, Luxembourg Sustainable Finance Roadmap and Luxembourg Sustainable Finance Initiative). As climate change is considered a significant impact, we signed the Net-Zero Banking Alliance (NZBA) end of 2021 during the 26th UN Climate Change Conference of the Parties (COP26) in Glasgow, to commit to a net zero economy by setting targets and developing a transition plan to decarbonise our most climate relevant sectoral exposures in our Balance sheet.</p> <p>We also participated in the "PACTA Coordinated Project Luxembourg" organised by the Ministry of Finance, Luxembourg and "2 Degrees Investing Initiative" (2dii) to define the alignment gap for Spuerkeess' Corporate Bond holdings in the most climate sensitive sectors (Power, Fossil Fuel, Automobile, Cement, Steel, Aviation and Shipping) (page 18).</p> <p>Spuerkeess' Green Financing policy shows a continuous increase reaching EUR 1.089 mio of new financing in 2021 (+ 13% vs 2020) stemming mainly from Residential Mortgage loans (EPC classes A and B) but also from electric mobility and renewable energies (3.3 Focusing on Green & Social Financing - page 15).</p>	<p>See chapters 2.3 Our ambition (page 6), 3.1 Our ESG Factbook – Spuerkeess at a Glance: Achievements 2021 (pages 12-13), 3.2 Outlook 2022: Our main objectives (page 14), 3.4.3 Participation in the PACTA project: focus on listed corporate bonds (page 18).</p>

Requirements	Bank's response and self-assessment	Reporting reference
Principle 2	Impact and Target Setting	
	Based on the Bank's balance sheet as of 31 December 2020, we identified the areas with the most significant impacts (industries, technologies, sectors).	
2.1 Impact analysis	<p>The impact analysis we performed end of 2020 covered 53% of the outstanding assets. The non-covered part of assets consisted mainly of exposures on financial institutions.</p> <p>These 53% of outstanding assets consist of exposures to the construction sector (64%), the main corporate sectors (19%) and the public sector (sovereigns sector, 17%).</p> <p>We did not yet extend the impact analysis to exposures on financial institutions. This will be addressed at a later stage when more granular ESG banking data is available and financial institutions comply to CSRD and TCFD.</p> <p>The conclusion of the impact analysis convinced us to concentrate on the following 2 areas:</p> <ul style="list-style-type: none"> (i) the fight against climate change and environmental degradation through energy transition and digitalisation, (ii) and social inclusion through financial education and awareness-raising about sustainable development. <p>As climate change had been identified as being one of the areas where our impacts are most significant based on the "Portfolio Impact Analysis" methodology provided by UNEP FI, we concentrated in 2021 on the climate relevant sectors which represent 46% of Spuerkeess' total assets as of 31 December 2021. We then performed the following impact assessment exercises on the climate relevant sectors.</p> <ul style="list-style-type: none"> - A transition risk segmentation on Spuerkeess' exposures based on UNEP FI's study published under the name "Beyond the Horizon" - A calculation of Financed GHG emissions covering 72% of climate relevant sectors' exposures by applying the "PCAF" methodology on Corporate Bonds and equities and National Residential Mortgage loans. - An alignment gap analysis with PACTA tool on our Corporate Bond Portfolio for the most sensitive sectors (Power, Fossil Fuel, Automobile, Cement, Steel, Aviation and Shipping). <p>As a signatory of NZBA, we will concentrate during 2022 to set intermediary targets to reach Net-Zero in 2050. To do so, we will first extend the coverage of calculated financed GHG emissions, in compliance with PCAF methodology, to Corporate and SME loans. We must also start to engage with climate sensitive companies among our customers and among our strategic shareholdings to define transition pathways to Net-Zero.</p> <p>As the Double Materiality principle is the backbone of ESG, we started end of 2021 a project « Sectoral Double Materiality Matrix » which includes besides of identifying significant sectoral impacts also sustainability risks such as « transition risks ». We build this matrix outgoing from different frameworks such as SASB, MSCI, UNEP FI's « Portfolio Impact Analysis ». The Matrix will serve as sectoral ESG impact & risk assessment tool for the Loan and Investment advisors to help the customer improve his impacts and mitigate his sustainability risks while seizing opportunities for both the customer and the Bank.</p>	<p>See the chapter Impact Analysis Methodology Note of our 2020 Sustainable Development Report (pages 54-57).</p> <p>See chapters 3.4.2 Carbon footprint stemming from our banking activities (page 17),</p> <p>4.2.1 Transition risks (page 20),</p> <p>6.4 Appendix IV: Methodology applied for the calculation of our financed GHG emissions and our carbon footprint (page 40),</p> <p>3.4.3 Participation in the PACTA project: focus on listed corporate bonds (page 18),</p> <p>4.1 We want to be a Transition Enabler (page 19) of our 2021 Sustainable Development Report.</p>
CONCLUSION 2.1	We concentrated on 2021 to deepen the analysis on climate relevant sectors using different tools such as PCAF, PACTA and UNEP FI's Transition Risk Heatmap (see document issued by UNEP FI « Beyond the Horizon »). Based on the GHG baseline we created, we will start to set intermediary targets to reach Net-Zero ambitions in 2050. End of 2021 we decided to create a Sectoral Double Materiality Matrix (including positive and adverse impacts as well as sustainability risks) with the ambition to create a documentation explaining the rationale behind it which will be very useful for Loan advisors and Investment advisors.	

Requirements	Bank's response and self-assessment	Reporting reference
Principle 2	Impact and Target Setting	
2.2 Target setting	<p>For the Sustainable Development Report 2021, we defined qualitative and quantitative targets which cover the following areas:</p> <ul style="list-style-type: none"> - Climate Change mitigation: defining intermediary decarbonisation targets (-50% in 2030) to become Net-Zero in 2050 (see chapter 1. Message from the Executive Committee, page 4) - Diversity: improve the F/M ratio in under-diversified departments and secure at least 20% female ratio at Management Board and 40% female ratio at the Board of Directors - Financial literacy: raise awareness and educate children and students - Engage with customers and partners. <p>The targets we set last year relating specifically to “the fight against climate change/Mitigating actions” were mainly focused on the exposures to the Construction sector.</p> <ul style="list-style-type: none"> • the number of advice given by our Housing Loan Advisors referring to government and private subsidies in order to stimulate renovation projects. Under target: 1.300 instead of 2.300 • the number of ESG Questionnaires filled out as part of a funding application for residential or professional real estate (527 ESG questionnaires were in total completed, retail clients (480) and professional clients (47)) • the percentage of Energy Performance Classes A and B exposures in our Residential Real Estate Loan Portfolio. Over target: + 6,8% instead of +3% that were targeted • the number of electric car loans and leasings. Over target: 743 instead of 250 	<p>See chapters</p> <p>3.2 Outlook 2022: Our main objectives (page 14),</p> <p>6.3 Appendix III: Overview of the accomplishment of the objectives set in our Non-Financial Reporting 2020 across 4 Pillars, (pages 38-39) of our 2021 Sustainable Development Report.</p>
CONCLUSION 2.2	<p>We reached about 70% of the targets we set in 2021. For 2022 we will mainly concentrate on setting targets for climate relevant exposures in terms of carbon intensity. As financial literacy is concerned, we did so in 2021 through different means such as webinars, blog, website, newspapers,... and will continue during 2022 to enhance financial literacy among customers & clients.</p>	

Requirements	Bank's response and self-assessment	Reporting reference
Principle 2	Impact and Target Setting	
2.3 Plans for target implementation and monitoring	<p>Data gathering</p> <p>We gather relevant data in different ways</p> <ul style="list-style-type: none"> - via ESG data providers for bonds, equities and funds, - via the ESG questionnaire for Residential and Commercial mortgage loans, - by applying the PCAF methodology to solve data availability and quality issues for GHG emissions' calculation. <p>Measuring and Monitoring</p> <ul style="list-style-type: none"> - We will engage with customers and stakeholders to enhance their transition while gathering ESG relevant data at stakeholder level. <p>As of today, we measure Financed GHG emissions on 72% of climate relevant exposures. We will soon apply GHG calculation on Corporate and SME loans in compliance with the PCAF methodology to cover the total amount of climate relevant exposures. The focus then is on setting intermediate targets on absolute GHG emissions and/or on sectoral specific carbon intensities to reach Net-Zero by 2050.</p> <p>We monitor and reduce the risk on exposures on environmentally harmful or high transition risk sensitive sectors such as unconventional fossil fuels or coal power by applying an exclusion policy (see page 20). We also monitor on a quarterly basis the Paris alignment gap on most sensitive sectors (see page 18) in our Bond Portfolio. This gap analysis has to be extended to other asset classes during 2022.</p> <p>Targets (e.g. GHG emissions, carbon intensity) will be gradually deployed to all the Bank and business lines (cascading down to all portfolios as well as sectoral exposures).</p> <p>Beside 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, as well as from the TCFD framework. The monitoring of these targets is a crucial focus for the highest decision-making bodies based on the reporting that will be created under the supervision of the Spuerkeess' Sustainability Committee and Office.</p>	<p>See chapters</p> <p>4.2.1 Transition risks (page 20),</p> <p>3.4.3 Participation in the PACTA project : focus on listed corporate bonds (page 18),</p> <p>3.4.2 Carbon footprint stemming from our banking activities (pages 17-18).</p>
CONCLUSION 2.3	We are gathering relevant ESG data through data providers or by engaging with relevant stakeholders in order to create baselines upon which we set targets such as GHG emissions reductions.	

Requirements	Bank's response and self-assessment	Reporting reference
Principle 2		
Impact and Target Setting		
2.4 Progress of implementation of targets	<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. Furthermore, it illustrates the targets that we have set as well as our main achievements.</p> <p>The first impact analysis was undertaken during 2020, thus, enabling the identification of the areas in which we have the most significant potential positive and negative impact through our materiality assessments and development of our policies and action plans. During 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 measure the CO₂ emissions and carbon intensity for all assets falling within the scope of climate relevant sectors (currently 72% covered), in preparation for the TCFD reporting requirement.</p>	<p>See chapters: Impact Analysis Methodology Note (pages 54-57) and ABOUT THIS REPORT (Part IV) (page 48) of our 2020 Sustainable Development Report.</p> <p>See the chapter 3.4.2 Carbon footprint stemming from our banking activities (pages 17-18) of our 2021 Sustainable Development Report.</p>
CONCLUSION 2.4	GHG emissions calculation has been performed for 72% of climate relevant exposures in compliance with PCAF methodology. We will extend the scope to Corporate and SME loans to significantly complete the coverage of climate relevant exposures. While continuing to develop the Sectoral Double materiality matrix during 2022 and applying it to main exposures in our Balance Sheet, we strive to add at least one new significant impact area, besides climate change impact, to our measurement and monitoring framework.	
Principle 3		
Clients and customers		
We engage with our clients and customers to encourage sustainable practices. We enable economic activities that create shared prosperity for current and future generations.		
3.1 Policies and practices	<p>We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.</p> <p>We consider relationships with our customers essential to both our stability and the creation of long-term value. Spuerkeess has always put its customers at the center of its interests. We do so by creating a universe of easily accessible products.</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 2.2 Our purpose (page 6) and 5. About this report (page 24).</p>

Requirements	Bank's response and self-assessment	Reporting reference
Principle 3	Clients and customers	
3.2 Sustainable practices with clients and customers	<p>Specifically, we take several initiatives showing our support to our clients and customers on a daily basis and in all their projects:</p> <ul style="list-style-type: none"> • We finance housing for individuals, especially for the purchase of their first home (4.888 homes financed of which 993 first homes) (page 13) • We help individuals plan their future savings (page 6-7) • 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 (pages 13 and 14) • We support the development of local businesses, in particular by financing small and medium-sized enterprises. In 2021, 1049 new loans were issued to Independent and SME customers for a total amount of EUR 531.28 mio. • We participate in the development of national and regional public governance and domestic civil society by financing local public and para-public authorities. <p>In order to improve our customer service and products, we created three advisory boards. Thus, in 2021, we were able to make various improvements for our three main client segments (retail, corporate and institutional). We saw the most important achievements in the ESG compliant products and the enhancement of online banking services.</p> <p>In order to adapt to a rapidly changing world and to fulfil the expectations of our digital-first customers, we have expanded the digitalisation of our banking services. Among others, in collaboration with the Ministry of Education, we launched Luxembourg's first digital loan based on blockchain technology. By supporting our professional clients with their innovation projects, we contribute to Luxembourg's digitalisation. In collaboration with the European Investment Fund, we actively support our SME clients. Since 2019, we have funded digitisation and innovation projects of more or less EUR 15 million (page 23).</p> <p>We raised awareness around sustainability via digital communication channels, such as our website, social media and online news sites. We use local media to increase general knowledge around sustainability. We did so via weekly sustainability tips on the radio as well as interviews in print media in which banking and sustainability experts provided insight into the latest trends around ESG topics and Sustainable Finance. Furthermore, we launched the bi-monthly blog "Why does it matter?" in which experts discuss global ESG and digitalisation topics (page 11). In autumn 2021, we hosted two webinars in which small and medium-sized entities (SME) revealed the challenges they face in their transition towards sustainability.</p> <p>We will focus on further developing our solutions and advisory services to ensure that we can support our customers' sustainability ambitions. We engage with customers and partners to support our clients in their shift to sustainability.</p> <ul style="list-style-type: none"> • We plan on improving our "Aid and Finance Advice" concept to further accelerate energy renovation, but also to improve other environmental impacts. • We will develop products and services which allow our customers and partners to seize opportunities by taking up their ESG challenges. <p>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. In 2021, our Business Unit "Facility Management & Logistics" in cooperation with energieagence trained in total about 130 SME and Housing Loan Advisors on renovation and electro-mobility topics to acquire a technical know-how to enhance their advisor qualities.</p> <p>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 held by the Bank.</p>	<p>See chapters:</p> <p>3. Our ESG strategy: We are a Transition Enabler, 3.1 Our ESG Factbook (page 12), Spuerkeess at a Glance: Achievements 2021 (page 13),</p> <p>3.2 Outlook 2022: Our main objectives (page 14), 2.2 Our purpose and 2.3. Our ambition (page 6), 2.4. Our products and services (page 7),</p> <p>4.3.3 To support a sustainable economy (page 23),</p> <p>2.5.2 Build trust by being transparent (page 10),</p> <p>4.1 We want to be a Transition Enabler (page 19) and 4.3.1. To focus on people and culture (pages 21-22).</p> <p>See the chapter 9, Annual Pillar 3 Report 2021 "Publication d'informations sur les expositions au risque de crédit, au risque de dilution et sur la qualité de crédit".</p>

Requirements	Bank's response and self-assessment	Reporting reference
Principle 4	Stakeholders	
We aim to proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.		
4.1 Stakeholder consultation, engagements and partnerings	<p>Through our triannual 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 and Executive Committee), Bank staff (represented by the CSR Delegates), the customers, and the suppliers.</p> <p>Additionally, we engaged less formally with a range of stakeholders throughout the year.</p> <p>In 2021, we initiated the Scientific Advisory Board (SAB), composed by various climate and environmental experts. The common objective is to enhance climate-related and environmental know-how in the financial sector and to set scientific based targets and metrics so that we can better manage and monitor environmental impacts and risks.</p> <p>In order to adapt to a rapidly changing world and to fulfil the expectations of our digital-first customers, we have expanded the digitalisation of our banking services. Among others, in collaboration with the Ministry of Education, we launched Luxembourg's first digital loan based on blockchain technology.</p> <p>By regularly highlighting our values, our management aims to create a work culture with a deeper sense of motivation at work. At Spuerkeess, we are convinced that job satisfaction translates into a positive attitude which, in turn, spills over to better client relationships. In other words, motivated employees, alongside an enhanced product and service quality, lead to customer loyalty. Thus, in order to further strengthen our work culture, we launched in 2021 the online interactive platform "Spark" in which we encourage our employees to share their innovative ideas. The initiative may lead to the launch of new products and services as well as improve the way of working.</p> <p>We engage with main suppliers by making them sign a Code of Responsible Conduct to ally our Sustainability efforts.</p> <p>We have partnered up with Fräie Lëtzebuenger Bauereverband (FLB) in order to understand the challenges and opportunities met by Luxembourgs' farmers.</p> <p>Contributing to the sustainability development of the financial sector:</p> <p>We plan on expanding the mission of the Scientific Advisory Board to topics and issues which are of a more common concern among financial institutions, both nationally and globally. We intend to do so by partnering with sector-level industry groups and organisations such as the ABBL (Association des Banques et Banquiers, Luxembourg) and LSFI (Luxembourg Sustainable Finance Initiative). Key priorities include the integration of science-based principles into financial products and services as well as further strengthen instruments that help prevent greenwashing in line with EU-level regulation and international sustainability-related best practice.</p> <p>In collaboration with ABBL, the Ministry of Finance and the Ministry of Energy and Spatial Planning, we support the development of a digital and GDPR-compliant solution allowing banks to access data from EPC certificates of residential buildings. This will enable banks to play an essential role in the energy transition while complying with regulatory and risk management requirements.</p>	<p>See Chapters:</p> <p>6.1 Appendix I: Materiality Analysis (page 25),</p> <p>2.5.1 Stakeholder Centricity (pages 9-10),</p> <p>4.1 We want to be a Transition Enabler (page 19),</p> <p>6.4 Appendix IV: Methodology applied for the calculation of our financed GHG emissions and our carbon footprint (pages 40-41).</p>




Requirements	Bank's response and self-assessment	Reporting reference
Principle 5	Governance and target setting	
We implement our commitment to these Principles through effective governance and a culture of responsible banking.		
5.1 Governance structure	<p>As a state owned bank, our mission is defined by our organic law dated 24 March 1989 as amended. Spuerkeess plays a leading role in the economic and social development of Luxembourg. Thus, we aim to support Luxembourg's economy and to contribute to the country's social development via our financing activities.</p> <p>The Board of directors defines Spuerkeess' strategic guidelines and ensures that they are implemented by the Executive Committee. In 2021, ESG topics were among the most important items analysed by the Board of directors.</p> <p>The Executive Committee is responsible for the Bank's day-to-day management and implements the strategic guidelines defined by the Board of directors.</p> <p>The Sustainable Development Committee (SDC), which is chaired by the Chief Executive Officer of the Bank, ensures that the objectives of the Bank's sustainable development strategy are met within the given timeframe. The SDC regularly reports to the Executive Committee on the Bank's progress. Due to the crosscutting nature of the sustainable development strategy, this committee includes representatives from Spuerkeess' various departments such as sales, support and control functions. The SDC also oversees the Bank's exclusion policy.</p> <p>The Sustainability Office within the Secretary General Department will play a central role in the arbitration of any controversies that may arise from our exclusion policy for investing and lending or any other ethical concerns. The Sustainability Office assists the SDC with the implementation of the sustainable development policy. This entity ensures the consistency of and compliance with methodologies. Furthermore, it is in charge of supervising the implementation of the new legal frameworks pertaining to sustainability topics.</p> <p>To conclude, the Risk Management function is increasing its involvement as a result of regulatory sustainable finance requirements. Furthermore, the Department "Risk Management" is currently participating in the climate stress test required by the European Central Bank. The purpose of the stress test consists in challenging the business model resilience of the Bank in order to understand the potential impacts on its business strategy. The Risk Management function will gradually expand the scope of its climate and environmental risk mapping to all of the Bank's operations.</p>	<p>See chapters 2.2. Our purpose (page 6) and 2.5.3 Our Responsible Governance (page 11).</p>
5.2 Initiatives and measures	<p>According to the Bank's corporate strategy 2025, which was approved by Spuerkeess Board of directors in 2021, sustainability is a transversal pillar covering all banking and non-banking activities. Our sustainability policy is based on Spuerkeess' ambition to become a Transition Enabler and to promote a sustainable economy.</p> <p>The success of Spuerkeess is built on the commitment and involvement of the entire organisation. Our employees show their support on a daily basis.</p> <p>Spuerkeess ensures the implementation of the Code of Conduct, which brings all the employees of Spuerkeess together in a single community of values. The Code of Conduct stresses the importance of confidentiality, data protection, the management of conflicts of interest, the fight against corruption, money laundering and terrorist financing.</p> <p>The status of Spuerkeess and its employees guarantees the principle of non-discrimination and the Bank regularly promotes diversity among its employees and management. In this context, the Bank signed the IMS Diversity Charter in October 2020, to underline the commitment to maintain diversity and inclusion within our Bank (page 22).</p> <p>Based on the Code of Conduct, an internal alert mechanism (whistleblowing) has been set up so that Spuerkeess' employees can report in confidence any problems or negligence to the Chief Compliance Officer.</p>	<p>See chapters 2.5.3 Our Responsible Governance (page 11) and 4.3.1 To focus on people and culture (pages 21-22).</p>

Requirements	Bank's response and self-assessment	Reporting reference
Principle 5	Governance and target setting	
5.3 Governance structure for implementation of the Principles	Our sustainability governance structure will support the implementation of the "Principles". For more detailed information on the governance structure, please refer to 5.1 here above.	See the chapter 2.5.3 Our Responsible Governance (page 11).
CONCLUSION 5.3	The governance structure we put in place one year ago has shown to be adequate in supporting the implementation of the Principles.	
Principle 6	Transparency and accountability	
We will periodically review our individual and collective implementation of these Principles. We aim to be transparent and hold ourselves accountable for both our positive and negative impacts as well as our contribution to society's goals.		
6.1 Progress on implementing the Principles for Responsible Banking	<p>In order to promote transparency, quality and consistency in our reporting, Spuerkeess has applied the GRI standards since 2018 and signed the UNEP FI's Principles for Responsible Banking in October 2019. Adhering to these Principles, we progressively align Spuerkeess' strategy with the Sustainable Development Goals and the Paris Agreement. Furthermore, we comply with national frameworks such as "PNEC"- Luxembourg Integrated Energy and Climate Plan, Luxembourg Sustainable Finance Roadmap and Luxembourg Sustainable Finance Initiative for the period 2021-2030.</p> <p>There is a rising expectation around ESG topics and we put considerable effort into the prevention of greenwashing. We do this by going beyond complying with the above mentioned legal framework. In 2021, Spuerkeess was the first Luxembourg-based bank to commit to the Net-Zero Banking Alliance.</p> <p>As a purpose-driven bank, our corporate communication focuses on communicating our values clearly so that there is a common understanding of our mission amongst our various stakeholders (pages 8-9).</p> <p>For this first year, in which we report on financed GHG absolute emissions, we cover 72% of the exposures on Spuerkeess' climate-related sectors (EUR 17.554 mio). We will strive to include the remaining asset classes into the Non-Financial Reporting 2022.</p> <p>In terms of calculating the financed GHG absolute emissions, we apply the "Global GHG Accounting & Reporting Standard" from the non-governmental organisation Partnership of Carbon Accounting Financials (see Appendix IV: Methodology applied for the calculation of our financed GHG emissions).</p> <p>During 2022, Spuerkeess will enlarge the scope to other assets (e.g. loans etc.) and fix decarbonisation targets for the Bank's balance</p>	See chapters 2.1 Commitments and Standards (page 5) and 3.4.2 Carbon footprint stemming from our banking activities (pages 17-18).
CONCLUSION 6.1	For the second year's progress report, we consider having evolved towards more transparency on positive and negative impacts of climate change by disclosing information about financed GHG emissions and transition risks in relation with climate relevant exposures, and about the Paris alignment of high climate intensive exposures in our bond portfolio using the PACTA tool. We did also so by disclosing information about green and social impact financing during 2021 (page 15).	

6.3 Appendix III: Overview of the accomplishment of the objectives set in our Non-Financial Reporting 2020 across 4 Pillars

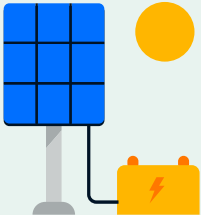



We reached 69% of our objectives set in 2021 whereas the accomplishment of the remaining objectives is still in progress and will be achieved during 2022.

Objectives 2021 - Our Achievements

Climate change	Social responsibility	Value creation	Governance and Ethics
<p>Replacing our method for calculating greenhouse gas emissions with the carbon assessment methodology</p> <p>Expanding the scope of the carbon assessment by incorporating new indicators</p> <p>ESG questionnaires to be completed in connection with loan applications for new housing</p> <p>Increasing of the financing of class A and B housing so that this category of housing increases by an annual average of 3%</p> <p>Financing of at least 250 electric cars</p> <p>Developing our investment advice in order to make our customers more aware of the sustainable aspect of their financial products</p> <p>Developing indicators in line with the EU Directive on sustainability-related disclosure in the financial services sector and the Regulatory Technical Standards ("RTS")</p> <p>Incorporate the European Taxonomy into investment policy criteria</p> 	<p>Implementation of a new integrated IT solution and introduction of a new skills framework to enable the establishing of a continuous development approach (70-20-10 model): 70% learning on the job, 20% support and 10% training and information solutions</p> <p>The large-scale launch of the leadership training programme based on the skills framework</p> <p>Developing financial education-related programmes taking into account the services already available from our partners, such as the ABBL</p> <p>Sharing the initiatives already developed in connection with the ABBL "Financial Literacy" initiative on the spuerkeess.lu website</p> <p>Informing and educating all generations about sustainability by promoting our alternative products and services and the "responsible consumer" concept</p> <p>Repeating the "Engagement, leadership and corporate culture" survey</p> <p>Continuing the "Working from home" project</p> <p>Introducing the "Flextime", giving staff greater flexibility to individually create a work-life balance that suits their own needs</p> <p>Reviewing the external and internal recruitment process, ensuring greater selectiveness and a better match between applicants and jobs</p> <p>Subscription to a digital human capital management platform with the determining of the risk of chronic stress risk for all staff</p> <p>Financial participation in the Protea programme (for the therapeutic monitoring of emotional exhaustion)</p> <p>The health check-up will take place again at the Zitha Gezondheidszentrums</p>	<p>Undertaking any preparations necessary to be given an ESG rating in 2023 and identifying avenues for the gradual improvement of this rating</p> 	<p>Creating a "Scientific Advisory Board" made up of scientists from various disciplines whose objective is to advise the Bank on environmental risk management while taking regulatory requirements into account</p> 



Objectives 2021 - Work in progress (partially achieved in 2021)

Climate change	Social responsibility	Value creation	Governance and Ethics
<p>Installing photovoltaic panels on the roof of the "Rousegäertchen" building (Place des Martyrs)</p> <p>Advising at least 2.300 customers about energy-related grants (we have reached 1.300 customers)</p>	<p>Developing a diversity and inclusion policy</p>	<p>Introducing a "Green Asset Ratio", and therefore determining the proportion of assets that are aligned with the EU Taxonomy</p> <p>Optimisation of processes</p> <p>Development of Knowledge Management</p> <p>Financial management solution for companies</p> <p>Raising of SME customers' awareness of digitalisation issues</p>	<p>Implementing our responsible purchasing policy across our entire value chain</p> <p>Expanding the ESG self-assessment methodology to other trades</p>
			

6.4 Appendix IV:

Methodology applied for the calculation of our financed GHG emissions

A) Introduction

This section describes how we calculate our financed GHG emissions from our banking activities based on the “Global GHG Accounting & Reporting Standard” from PCAF (Partnership for Carbon Accounting Financials)¹⁵.

PCAF methodology was launched in September 2019 in order to harmonise methods for accounting for greenhouse gases (GHG) and allowing financial institutions to measure and disclose in a consistent manner the GHG emissions financed by their loans and investments activities. PCAF provides detailed methodological guidance for 6 asset classes.

For this first year reporting on Financed GHG emissions, we focus our analysis on climate relevant sectors (higher probability of transition risk) as defined by the Regulation (EU) 2020/1818¹⁶. Based on this definition, we conclude that approximately 46% of Spuerkeess total assets (or 24.905 mio euros) as of 31 December 2021 stem from exposures on climate relevant sectors. Our Financed GHG emissions calculation is based on PCAF methodology and covers 72%¹⁷ of the climate relevant exposures (17.917 mio euros) of Spuerkeess. The asset classes to whom we apply the PCAF methodology are Corporate Bonds, Corporate Equities and National Residential Mortgage loans. We will include the remaining climate relevant exposures which are mainly SME & Corporate loans, as well as non-climate relevant exposures, into the Non-Financial Report 2022 while developing in parallel a strategic plan stretching from 2022-2024 in order to improve the granularity of data and overall data quality score.

For 2021 reporting on financed emissions on investments (bonds, unlisted equities) we use 2021 financial data (outstanding amounts in our Balance Sheet as of 31 December 2021), whereas the GHG emissions on investment are mainly GHG emission data for year 2020¹⁸. We cover Scope 1 and Scope 2 emissions for all the asset classes. For Oil, Gas and Mining activities, we additionally take into account Scope 3 emissions as required by PCAF.

B) PCAF Data quality and National Residential Mortgage Loan Portfolio

Energy class data is available for about 55% of residential mortgage loans in our portfolio enabling us to perform CO₂e emission (Scope 1 and Scope 2) by using relevant data for Luxembourg such as « emission factor unit tCO₂e / sqm » which makes us comply with PCAF data quality score 3. Where energy class is missing we calculate CO₂e emissions compliant with PCAF data quality score 5.

We will continuously improve the quality of the database in order to improve the overall data quality score.

Thus, in collaboration with ABBL, the Ministry of Finance and the Ministry of Energy and Spatial Planning we support the development of a digital and GDPR-compliant solution allowing banks to access data from EPC certificates of residential buildings. This will enable banks to play an essential role in the energy transition while complying with regulatory and risk management requirements.

C) PCAF Data quality and Investment Portfolio: Corporate Bond & Equity Portfolio


For our main shareholdings (Equity portfolio), which are unlisted companies, we directly retrieve relevant data from the companies' headquarter (PCAF data quality score 2). For our investment portfolio, we primarily collect reported GHG information on investee companies via data provider MSCI (PCAF data quality score 2). For companies that do not publicly report the Scope 1, 2 and 3 emissions, we use estimations based on the MSCI's methodology¹⁹ (for precautionary reasons, we attribute PCAF data quality score 4).

If neither reported data nor estimated data is available via our data provider MSCI, we use the GHG sectoral emissions average of the sector the company belongs to as well as data on revenue (PCAF data quality score 4) to run the calculation on corporate bonds or equities.

We will continuously improve the basis of our financed emissions. This helps us in our internal prioritisation of sectors and companies selected for targeted emission reductions and risk management following our long term Net-Zero ambitions.

Weighted data quality score : 3,4

Data quality score (1=high; 5=low)	Outstanding amounts by asset class in EUR mio				
	Residential Mortgage loans	Corporate Bonds	Corporate equities	SME & Corporate Loans	Total
1					
2		2.269	1.111		
3	8.851				
4		424	173		
5	5.090				
Total reported climate relevant exposures:	13.941	2.693	1.283	-	17.917
Total non-reported climate relevant exposures:	2.333	154	21	4.478	6.987
Total:	16.274	2.847	1.305	4.478	24.905



¹⁵ PCAF (2020). The Global GHG Accounting and Reporting Standard for the Financial Industry. First edition: 18 November 2020.

¹⁶ COMMISSION DELEGATED REGULATION (EU) 2020/1818 of 17 July 2020 supplementing Regulation (EU) 2016/1011 of the European Parliament and of the Council as regards minimum standards for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks page 2 point (6).

¹⁷ We only considered exposures where data availability and quality are compliant with PCAF requirements. Therefore, SME and Corporate loans as well as a subset of the residential mortgage loan portfolio were excluded from the GHG calculation scope.

¹⁸ The GHG calculations are based on our FINREP Financial Statements as of 31/12/2021 whereas the GHG emissions data are based, due to data availability, on 31/12/2020.

¹⁹ Carbon Emissions Estimation Methodology and Definitions MSCI ESG Research LLC June 2021.

6.5 Appendix V:

GRI Content Index

For the GRI Content Index Service, GRI Services reviewed that the GRI content index is clearly presented and the references for all disclosures included align with the appropriate sections in the body of the report.



Disclosures

GRI 101: FOUNDATION 2016

GRI 102: GENERAL DISCLOSURES 2016

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GRI 102-2	Activities, brands, products, and services			6, 7, 10, 12, 13, 15, 16, 29
GRI 102-3	Location of headquarters			24
GRI 102-4	Location of operations			24
GRI 102-5	Ownership and legal form			24
GRI 102-6	Markets served			7, 13
GRI 102-7	Scale of the organisation			10, 13
GRI 102-8	Information on employees and other workers			21, 22
GRI 102-9	Supply chain			10, 13, 16
GRI 102-10	Significant changes to the organisation and its supply chain			10
GRI 102-11	Precautionary Principle or approach			11
GRI 102-12	External initiatives			22, 23
GRI 102-13	Membership of associations			5
Strategy				
GRI 102-14	Statement from senior decision-maker			4
Ethics and integrity				
GRI 102-16	Values, principles, standards, and norms of behavior			5, 6, 8
GRI 102-17	Mechanisms for advice and concerns about ethics			11

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GRI 102-18	Governance structure	11
GRI 102-19	Delegating authority	11
GRI 102-20	Executive-level responsibility for economic, environmental, and social topics	11
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GRI 102-26	Role of highest governance body in setting purpose, values, and strategy	11
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GRI 102-40	List of stakeholder groups	25
GRI 102-41	Collective bargaining agreements	23
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	GRI 201-2	Financial implications and other risks and opportunities due to climate change	10, 20, 21

Material topic: GRI 203 - Indirect Economic Impacts 2016

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GRI 103: Management Approach 2016	GRI 103-2	The management approach and its components	8, 9
	GRI 103-3	Evaluation of the management approach	8, 9
GRI 203: Indirect economic impacts 2016	GRI 203-1	Infrastructure investments and services supported	10

ENVIRONMENT

Material topic: GRI 302 - Energy 2016

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	GRI 302-4	Reduction of energy consumption	16

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Disclosures		Omission	Pages
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	GRI 103-3	Evaluation of the management approach	21
GRI 403: Occupational Health and Safety 2018	GRI 403-1	Occupational health and safety management system	21
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GRI: Financial Services Sector disclosure	FS15	Policies for the fair design and sale of financial products and services	19
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Disclosures

Omission

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