

## Spuekeess' sustainability risk integration policy for its financial services

Luxembourg, 21st August 2023

### 1. Introduction

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

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

*a)* to contribute through its activities, in particular its financing activities, to the country's economic and social development in all areas, and

*b)* promote all forms of savings."

As a systemic bank for Luxembourg, Spuerkeess pays great attention to its stability while adapting to changes in the social and economic environment in order to maintain sustainable growth, which is essential for the Luxembourg ecosystem. The Bank focuses in particular on client proximity, the promotion of school savings, housing loans, alternative savings, shareholdings in large Luxembourg companies, banking services for SMEs, and the financing of equipment and investments by public and parastatal bodies.

### 2. Our policy for integrating sustainability risks

Awareness of ESG risks, including climate-related risks, is increasing globally. The European Union has implemented Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector as part of its action plan on sustainable finance.

The purpose of this document is to provide a more specific and practical description of Spuerkeess's policy for integrating the sustainability risks of Article 3 of Regulation (EU) 2019/2088. This policy also applies to Spuerkeess Asset Management S.A. and the LUX funds under its management.

Spuerkeess offers various financial products and services, including portfolio management, investment advice, S-Pension, and Speedinvest products. The Bank has developed a methodology for evaluating environmental, social, and governance risks and impacts in order to ensure sustainable operations.

The Spuerkeess 2025 strategic plan includes an exclusion policy that allows for the assessment of the significant impacts associated with the sectors and activities funded by the Bank. The social and governance dimensions are also considered in accordance with the Bank's social mission set out in the Organic Law of Spuerkeess of 24 March 1989.

In collaboration with the Scientific Advisory Board, the Bank is enhancing its understanding of scientific ESG factors and the resulting financial risks.

Spuerkeess focuses on integrating sustainability risks into investment decision-making processes, complying with the provisions of Regulation (EU) 2019/2088. Integration of negative impacts will be completed by 2023.

### 3. Physical and transition risks

The Bank has identified the primary physical risks to which its assets are exposed. A flood risk assessment methodology has been implemented on the mortgage portfolio. The Bank is evaluating the impact of this classification on its business model and strategy.

Following the stress test conducted by the European Central Bank, Spuerkeess demonstrates reliance against drought, heatwave and flooding risks. A transition plan will be implemented to mitigate physical and transitional risks.

### 4. Incorporating sustainability risks into remuneration policy

Spuerkeess's remuneration policy discourages risk-taking in terms of sustainability by excluding quantitative criteria from variable remuneration. This particularly applies to portfolio management and investment advisory services.

## 5. Strategy

Our investment policy aligns with our sustainable development strategy, with responsible investment being a crucial component. In October 2019, Spuerkeess became a signatory to the Principles for Responsible Banking (PRB), developed and supported by the United Nations. The PRB aims to promote and develop a more environmentally, socially and governance responsible financial system.

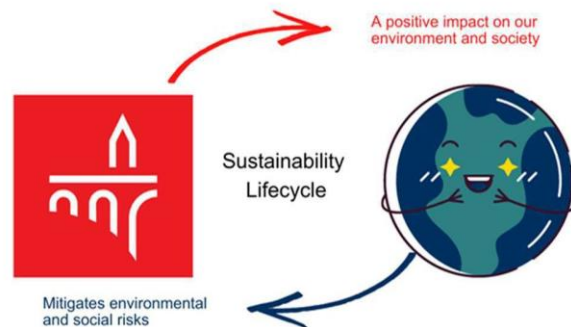
Spuerkeess's role is defined by its social and economic mission, which forms the basis of its core values. These values, as outlined in the Spuerkeess 2025 strategic plan, are "Client", "Quality of service", "Stability" and "Support for the national economy".

As part of our strategy, Spuerkeess has chosen a "Transition Enabler" approach to raise awareness, convince, and support economic actors towards a sustainable economy, considering sectoral and sociodemographic challenges.

To achieve this ambition, our priorities are centred around our impact on the environment and society. Therefore, all our efforts are focused on:

- i) **Addressing climate change** by progressively aligning with the Paris Climate Agreement, the European Action Plan for Sustainable Finance, and the National Energy and Climate Plan,
- ii) **Promoting digitisation in the Luxembourg economy**, and
- iii) **Promoting social inclusion** through education and awareness-building across all our communities. Through our influence, Spuerkeess can encourage stakeholders to gradually transition to the new sustainable economic and societal models.

Be a transition enabler and contribute to a better world





## 6. Governance

In order to achieve our ambition, it is essential for our entire organisation and employees to be involved. We have strengthened our governance structure to ensure sustainable development at the Bank and to utilise our expertise in a formalised decision-making process.

### *Internal governance*

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

The **Executive Committee**, with the support of the extended Management, is responsible for the day-to-day management of the Bank and executes the strategic orientations set by the Board of Directors, especially in relation to sustainable development goals.

The **Strategic and Sustainability Office**, under the General Secretariat, assists the governing bodies in implementing the Group's sustainable development policies. This entity ensures consistency and adherence to methodologies, oversees the implementation of sustainable development regulations, and participates in external working groups.

The **Risk Management** and **Compliance** departments fulfil their control functions in accordance with regulatory requirements in sustainable finance and corporate social responsibility.

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<sup>1</sup> <https://materiality.sasb.org/>

## 7. LUX funds and our banking offerings

All of Spuerkeess Asset Management S.A. (Spuerkeess AM) LUX funds comply with the requirements of Article 6 of Regulation (EU) 2019/2088. Spuerkeess AM integrates sustainability risks into its investment process. ESG issues are considered in investment decisions when they pose a potential or actual risk.

Spuerkeess AM has also created sustainability-focused LUX funds, called Green funds, which adopt specific ESG methodologies. These funds fall under either Article 8 or Article 9 of Regulation (EU) 2019/2088.

In the future, the Bank plans to develop specific Green offerings for its investment advisory and portfolio management services. These offerings will rely on investment funds that meet the requirements of Articles 6, 8 and 9 of Regulation (EU) 2019/2088. To support our sustainable development strategy, our advisors and managers already consider ESG factors when selecting the underlying investment funds.