

Second-Party Opinion

Spuerkeess Green Bond Framework



Evaluation Summary

Sustainalytics is of the opinion that the Spuerkeess Green Bond Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2021. This assessment is based on the following:



USE OF PROCEEDS The eligible category for the use of proceeds – Green Buildings – is aligned with those recognized by the Green Bond Principles. Sustainalytics considers that investments in the eligible category will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDGs 7 and 9.



PROJECT EVALUATION AND SELECTION Spuerkeess’ Extended Management Committee will be responsible for the process of project evaluation and selection. Spuerkeess has communicated to Sustainalytics that the Extended Management Committee is composed of authorized managers and the heads of various departments. Spuerkeess has internal processes in place to address environmental and social risks associated with financed projects. Sustainalytics considers this process in line with market practice.



MANAGEMENT OF PROCEEDS Spuerkeess’ Extended Management Committee will be responsible for tracking and managing proceeds through a portfolio approach using an internal tracking system. Spuerkeess intends, on a best-efforts basis, to fully allocate proceeds within three years of each issuance. Unallocated proceeds will be held or invested in accordance with Spuerkeess’ internal investment policies and at its own discretion in its treasury liquidity portfolios, in money market products, cash or cash equivalents and other short-term and liquidity instruments. This is in line with market practice.



REPORTING Spuerkeess will report on the allocation of proceeds and impact annually on its website. Allocation reporting will include the total amount of green bonds issued and the amounts allocated to the green portfolio, including a breakdown by eligible category and the remaining balance of unallocated proceeds, if any. In addition, Spuerkeess intends to report on relevant impact metrics. Sustainalytics views Spuerkeess’ allocation and impact reporting as aligned with market practice.

Evaluation Date	October 1, 2024
Issuer Location	Luxembourg City, Luxembourg

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Introduction

Banque et Caisse d'Épargne de l'État ("Spuerkeess" or the "Bank") is an autonomous public institution fully owned by the state of the Grand Duchy of Luxembourg.¹ Established in 1856, Spuerkeess offers financial and banking transaction services to private, corporate and institutional clients, as well as treasury and financial market services.² Headquartered in Luxembourg City, the Bank employed 1,911 people as of 31 December 2023.³

Spuerkeess has developed the Spuerkeess Green Bond Framework dated September 2024 (the "Framework") under which it intends to issue debt securities, such as green bonds which may be public or private placements,⁴ senior preferred or non-preferred, covered bonds⁵, structured products and retail issuances.^{6,7} Spuerkeess intends to use the proceeds to finance or refinance, in whole or in part, loans intended to improve the energy efficiency of residential and commercial buildings in Luxembourg. The Framework defines eligibility criteria in the following area:

1. Green Buildings

Spuerkeess engaged Sustainalytics to review the Framework and provide a Second-Party Opinion on the Framework's environmental credentials and its alignment with the Green Bond Principles 2021 (GBP).⁸ The Framework has been published in a separate document.⁹

Scope of work and limitations of Sustainalytics' Second-Party Opinion

Sustainalytics' Second-Party Opinion reflects Sustainalytics' independent¹⁰ opinion on alignment of the Framework with current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework's alignment with the Green Bond Principles 2021, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer's sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.17, which is informed by market practice and Sustainalytics' expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with representatives of Spuerkeess to understand the sustainability impact of its business processes and planned use of proceeds, as well as the management of proceeds and reporting aspects of the Framework. Spuerkeess representatives have confirmed that: (1) they understand it is the sole responsibility of Spuerkeess to ensure that the information provided is complete, accurate and up to date; (2) they have provided Sustainalytics with all relevant information; and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with it.

¹ Spuerkeess, "Sustainable Development Report NFR 2023", at:

https://www.spuerkeess.lu/fileadmin/mediatheque/documents/about_us/RSE/BCE_01624_23_RSE_Rapport_2023_EN.pdf

² Spuerkeess Green Bond Framework

³ Spuerkeess, "Sustainable Development Report NFR 2023", at:

https://www.spuerkeess.lu/fileadmin/mediatheque/documents/about_us/RSE/BCE_01624_23_RSE_Rapport_2023_EN.pdf

⁴ Spuerkeess has confirmed to Sustainalytics that the sale of stock shares to investors is excluded from private placements.

⁵ Spuerkeess has communicated to Sustainalytics that it intends to issue secured green standard bond under the Framework. In case of future issuances of secured green collateral bond, the Bank commits to distinguish between a secured green standard bond and a secured green collateral bond in the respective offering documents, per the voluntary process guidelines published in the June 2022 Appendix 1 of the GBP 2021. Additionally, the Bank has confirmed to Sustainalytics that there will be no double counting of eligible projects under the Framework, as the Bank will manage green eligible assets against green bond issuances using a portfolio approach to limit such risk.

⁶ Structured products may include instruments such as bonds, notes, or structured notes, which will either be debt instruments or will consist of a bond combined with one or more derivatives. Spuerkeess has confirmed to Sustainalytics that standalone derivatives or transactions governed by an ISDA master agreement will be excluded under the Framework. Retail issuances would consist of either green structured products or green senior unsecured bonds, which will be distributed within the Bank's network.

⁷ Sustainalytics's Second-Party Opinion applies only to the debt instruments expressly cited in the Framework.

⁸ The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>.

⁹ The Framework is available on Spuerkeess' website at: <https://www.spuerkeess.lu/en/about-us/publications/>

¹⁰ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics' hallmarks is integrity, another is transparency.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Spuerkeess.

Sustainalytics' Second-Party Opinion assesses alignment of the Framework with market standards but provides no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the issuer.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee their realized allocation towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument in favour or against the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Spuerkeess has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Spuerkeess Green Bond Framework

Sustainalytics is of the opinion that the Spuerkeess Green Bond Framework is credible and impactful, and aligns with the four core components of the GBP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
 - The eligible category – Green Buildings – is aligned with those recognized by the GBP.
 - Under Green Buildings, Spuerkeess may finance or refinance loans for the construction and acquisition of residential and commercial that belong to the top 15% most energy efficient buildings in Luxembourg.
 - To identify buildings that are part of the top 15% most energy-efficient buildings of the national building stock, the Bank will consider financing buildings that achieve or are expected to achieve an energy performance certificate (EPC) A or above.¹¹
 - The Bank has confirmed the exclusion of financing for: i) the development of industrial facilities designed for or intended for controversial activities; and ii) buildings designed for the purpose of extraction, storage, transportation or manufacture of fossil fuels.
 - Sustainalytics considers investments under this category to be in line with market practice.
- Project Evaluation and Selection:
 - Spuerkeess' Extended Management Committee (the "Committee") will be responsible for the project evaluation and selection process in accordance with the criteria defined in the Framework. Spuerkeess has communicated to Sustainalytics that the Committee is composed of authorized managers and represented by the heads of various departments including the General Secretariat, Human Resources and People Management, Global Markets, Retail & Professional Banking, Finance, Loan and Credit Management, Institutional Banking, Compliance, Internal Audit, Information Technologies and Risk Management.
 - Spuerkeess has developed internal processes related to the management and mitigation of environmental and social risks associated with projects during the project evaluation and selection stage. These processes are integrated into the Bank's valuation approach, which considers sustainable factors at the point of origination and throughout the lifecycle of financed dwellings. Sustainalytics considers these environmental and social risk management systems to be adequate and aligned with the requirements of GBP. For additional details, refer to Section 2.
 - Based on the established process for project evaluation and selection and the presence of a risk management system, Sustainalytics considers this process to be in line with market practice.

¹¹ Spuerkeess' Green Loans Methodology shared confidentially with Sustainalytics.

- Management of Proceeds:
 - Spuerkeess has confirmed to Sustainalytics that its Extended Management Committee will be responsible for overseeing the allocation and tracking of proceeds to eligible projects using an internal tracking mechanism, through a portfolio approach.
 - Spuerkeess intends to allocate proceeds within three years from each issuance, on a best-efforts basis. Pending allocation, unallocated proceeds will be temporarily held or invested in accordance with Spuerkeess' internal investment policies at its own discretion in treasury liquidity portfolios, in money market products, cash, cash equivalent or other short-term and liquidity instruments.¹²
 - Based on the use of an internal tracking system and the disclosure of the temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - Spuerkeess commits to report on the allocation of proceeds annually on its website. Allocation reporting will include the total amount of green bonds issued and the amount allocated to the green portfolio, including a breakdown by eligible category and the remaining balance of unallocated proceeds.
 - In addition, the Bank intends to report and publish annually on the environmental impacts at an aggregated level on its website, which may include the following information: i) carbon footprint stemming from Spuerkeess' banking activities; ii) estimated annual financed GHG emissions and avoided GHG emissions (measured in tCO₂e); iii) estimated annual energy consumption and savings (measured in kWh/m²); and iv) the number of green buildings financed.
 - Sustainalytics notes that Spuerkeess' annual Green Bond report (impact and allocation report) will be verified by an external auditor until all proceeds are allocated.
 - Based on the commitment to both allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

Alignment with Green Bond Principles 2021

Sustainalytics has determined that the Spuerkeess Green Bond Framework aligns with the four core components of the GBP.

Section 2: Sustainability Strategy of Spuerkeess

Contribution to Spuerkeess' sustainability strategy

Spuerkeess integrates an ESG approach, into its business strategy, aligning with the Principles for Responsible Banking and the Net Zero Banking Alliance (NZBA), aiming to achieve the transition to a low-carbon economy in Luxembourg.¹³ Guided by this ESG approach, the Bank focuses on key sustainability areas related to responsible lending and sustainable performance, having conducted a materiality assessment that identified critical topics, such as its impact on the climate.¹⁴ Sustainalytics has focused on the commitments which are relevant to the Framework.

With an ambition to become net zero by 2050, in alignment with the Paris Agreement goals, Spuerkeess is committed to reaching net zero emissions in its own operations and aligning its lending and investment portfolios with the Paris Agreement goals by 2050 or sooner.^{15,16} As of 31 December 2023, approximately 46% of Spuerkeess' assets were in climate-relevant sectors as defined by EU Directive 2020/1818, and the Bank calculated financed GHG emissions for 93% of these assets.^{17,18} In line with NZBA guidelines, Spuerkeess has set five sector-specific intensity based decarbonization targets, representing 35% of its

¹² Spuerkeess had communicated to Sustainalytics that temporary investments will be in line with its statement on responsible management policy for the credit and investment portfolio and ESG exclusion, at: <https://www.spuerkeess.lu/en/about-us/sustainability/csr-policy-of-spuerkeess/declaration-de-la-politique-de-gestion-responsable-du-portefeuille-de-credit-et-dinvestissement/> and <https://www.spuerkeess.lu/en/about-us/sustainability/csr-policy-of-spuerkeess/statement-of-the-esg-exclusion-policy/>

¹³ Spuerkeess, "Statement of the Sustainability policy" at: <https://www.spuerkeess.lu/en/about-us/sustainability/csr-policy-of-spuerkeess/statement-of-the-sustainability-policy/>

¹⁴ Spuerkeess, "Sustainable Development Report", (2023), at: <https://www.spuerkeess.lu/en/about-us/sustainability/csr-policy-of-spuerkeess/statement-of-the-sustainability-policy/>

¹⁵ Spuerkeess, "Net Zero Climate Target Report 2023", at: https://www.spuerkeess.lu/fileadmin/mediatheque/documents/about_us/Net_Zero_Climate_Target_Report/Climate_Report_2023.pdf

¹⁶ Spuerkeess has communicated to Sustainalytics that some of its decarbonization targets are based on averages from the PCAF database and their accuracy heavily depends on updates made to this database. Further, these updates can significantly enhance the quality of the data, thereby refining its transition pathways and targets.

¹⁷ Spuerkeess, "Sustainable Development Report", (2023), at: <https://www.spuerkeess.lu/en/about-us/sustainability/csr-policy-of-spuerkeess/statement-of-the-sustainability-policy/>

¹⁸ Ibid.

total financed GHG emissions.^{19,20} This includes mortgage loans for buildings which Spuerkeess has identified as among the most GHG-intensive sectors.²¹ In 2022, Spuerkeess set an interim target for 2030 to achieve its net zero goals by applying the National Energy and Climate Plan's decarbonization rate for Luxembourg's real estate sector to its national residential mortgage loans portfolio, targeting 24.10 kgCO_{2e}/m² by 2030, based on a 64% reduction from 2005 levels.²² To achieve such decarbonization objectives for its mortgage loans portfolio, Spuerkeess has identified two main strategies: i) financing properties with EPC A and B;²³ and ii) supporting ecological and energy efficiency renovations.²⁴ The Bank promotes energy efficiency upgrades for low EPC class homes through its Aid and Finance Advice concept. Additionally, the Bank assists clients with ecological, energy efficiency and sustainable development projects to improve the energy performance of their buildings.²⁵

Sustainalytics is of the opinion that the Spuerkeess Green Bond Framework is aligned with Spuerkeess' overall sustainability strategy and initiatives and will further the Bank's actions on its key environmental priorities.

Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that proceeds from the instruments issued under the Framework will be directed towards eligible projects expected to have positive environmental impacts. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Sustainalytics acknowledges that the Bank plays a limited role in the development or implementation of specific projects but notes that it is exposed to risks associated with companies or projects to which it provides lending and financial services. Some key environmental and social risks associated with the eligible projects may include issues involving land use and biodiversity issues associated with large-scale infrastructure development, emissions, effluents and waste, business ethics, predatory lending and stakeholder participation.

Sustainalytics is of the opinion that Spuerkeess is able to manage or mitigate potential risks through implementation of the following:

- Spuerkeess integrates ESG risk assessments into its financing and loan portfolio as part of its responsible financing and investment policy to address the negative impacts indirectly associated with its financing activities.²⁶ Spuerkeess has identified the primary physical risks affecting its assets and implemented a flood risk assessment methodology for its mortgage portfolio. Based on a stress test conducted by the European Central Bank, Spuerkeess has assessed its resilience against drought, heatwaves and flooding risks. Additionally, the Bank will implement a transition plan to address and mitigate both physical and transitional risks.²⁷
- To mitigate risks related to land use and biodiversity associated with large-scale infrastructure development, Spuerkeess has communicated to Sustainalytics that allocation under the Framework will be limited to Luxembourg which has national legislation related to the protection of nature and natural resources to safeguard natural diversity, restore landscapes, protect flora and fauna, maintain biological balances, prevent resource degradation, and enhance environmental structures.²⁸ Additionally, Luxembourg is part of the EU's policy of Natura 2000 network of protected areas which includes special areas of conservation established under the 1992 Habitats Directive and special protection areas designated under the 1979 Birds Directive.²⁹ Projects financed in Luxembourg are required to address risks related to emissions, effluents, and waste in accordance with the EU Directive on environmental impact assessments, Directive 2014/52/EU.^{30,31} This directive requires that projects with the potential for significant environmental impact undergo a comprehensive assessment prior to approval.

¹⁹ Ibid.

²⁰ The five carbon-intensive sectors identified by Spuerkeess includes oil and gas, power generation, automotive, aviation and mortgage loan activities.

²¹ Spuerkeess, "Net Zero Climate Target Report 2023", at:

https://www.spuerkeess.lu/fileadmin/mediatheque/documents/about_us/Net_Zero_Climate_Target_Report/Climate_Report_2023.pdf

²² Ibid.

²³ The Framework sets a higher standard compared to its Net Zero Banking Alliance strategy. The Bank aims to finance dwellings that rank in the top 15% of the most energy-efficient buildings nationally, using EPC rating of A or A+ as proxy.

²⁴ Spuerkeess, "Net Zero Climate Target Report 2023", at:

https://www.spuerkeess.lu/fileadmin/mediatheque/documents/about_us/Net_Zero_Climate_Target_Report/Climate_Report_2023.pdf

²⁵ Ibid.

²⁶ Spuerkeess, "Sustainable Development Report", (2023), at: <https://www.spuerkeess.lu/en/about-us/sustainability/csr-policy-of-spuerkeess/statement-of-the-sustainability-policy/>

²⁷ Spuerkeess, "Sustainability risk integration policy for its financial services", at: <https://www.spuerkeess.lu/en/about-us/sustainability/csr-policy-of-spuerkeess/sustainability-risk-policy-2023/>

²⁸ Government of Luxembourg, "Environmental Portal", at: <https://environnement.public.lu/fr/natur/biodiversite.html>

²⁹ Government of Luxembourg, "Environmental Portal", at:

https://environnement.public.lu/fr/natur/biodiversite/mesure_3_zones_especes_proteges/natura_2000.html

³⁰ European Commission, "Directive 2014/52/EU on the assessment of the effects of certain public and private projects on the environment", at: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014L0052>

³¹ European Commission, "National transposition measures concerning Directive 2014/52/EU on the assessment of the effects of certain public and private projects on the environment", at: <https://eur-lex.europa.eu/legal-content/EN/NIM/?uri=celex:32014L0052>

- Spuerkeess' Code of Conduct requires the Bank to conduct its business activities with respect for fundamental human and social rights and complying with laws, regulations and professional standards.³² The Bank's anti-money laundering (AML) letter sets due diligence practices against money laundering, including customer due diligence obligations, suspicious transaction reporting and transaction monitoring processes. Spuerkeess is also a charter member of the Financial Action Task Force on Money Laundering, a money laundering and terrorist financing watchdog.³³ A policy to address conflicts of interest is also in place, which applies to all the Bank's entities and staff as well as its contractors.³⁴ The Bank has developed a whistleblowing mechanism to report breaches, omissions or violations of laws or internal or external regulations.³⁵
- To mitigate the risks associated with predatory lending, Spuerkeess has established the Statement of the Responsible Management Policy for its credit and investment portfolio, reflecting the Bank's commitment to acting as a socially responsible lender in accordance with the social mission outlined in Article 5 of the Organic Law of 24 March 1989.^{36,37} Additionally, the Bank follows the Code of Conduct of the Luxembourg Banker's Association (ABBL – Association des Banques et Banquiers, Luxembourg), which sets out several commitments that its members shall act with honesty, loyalty, fairness, and integrity, prioritizing the best interests of borrowers at all times. In compliance with applicable legal obligations, the Bank is expected to ensure that its borrowers are provided with services of the highest standard including their understanding of risks, financial capacity, literacy, and any other relevant constraints they may face.³⁸
- Regarding stakeholder participation, Spuerkeess conducts a stakeholder engagement programme based on the AA1000 principles and standards. Since 2017, this programme has expanded to engage with both internal and external stakeholders and invites them to provide input on the Bank's economic, environmental and social priorities.³⁹ In addition, through its membership in the European Savings Banks Group and the Luxembourg Banker's Association, Spuerkeess is bound by their respective Codes of Conduct, which require its signatories to commit to transparency, accessibility, financial inclusion, social responsibility and customer service.^{40,41}
- Spuerkeess' operations and its financed projects under the Framework are located in Luxembourg, which is recognized as a Designated Country under the Equator Principles, indicating the presence of robust environmental and social governance, legislation and institutional capacity designed to protect the local environment and communities.⁴²

Based on these policies, standards and assessments, Sustainalytics is of the opinion that Spuerkeess has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible projects.

³² Spuerkeess, "Code of Conduct", at:

https://www.spuerkeess.lu/fileadmin/mediatheque/documents/about_us/Governance/Code_de_conduite_du_personnel_VF_version_27.03.2024_1_.pdf

³³ Spuerkeess, "Standard AML Comfort Letter", (2022), at:

https://www.spuerkeess.lu/fileadmin/mediatheque/documents/about_us/Compliance_information/Standard_AML_Comfort_Letter_Spuerkeess_202212_v3.pdf

³⁴ Spuerkeess, "Policy for the Handling of Conflicts of Interest", (2020), at:

https://www.spuerkeess.lu/fileadmin/mediatheque/documents/about_us/Compliance_information/Politique_externe_conflits_d_interets_DEC_2020_EN.pdf

³⁵ Spuerkeess, "Sustainable Development Report", (2023), at:

https://www.spuerkeess.lu/fileadmin/mediatheque/documents/about_us/RSE/BCE_01624_23_RSE_Rapport_2023_EN_r2.pdf

³⁶ Spuerkeess, "Statement of the responsible management policy for the credit and investment portfolio", at: <https://www.spuerkeess.lu/en/about-us/sustainability/csr-policy-of-spuerkeess/declaration-de-la-politique-de-gestion-responsable-du-portefeuille-de-credit-et-dinvestissement/>

³⁷ Spuerkeess, "Law of 24 March 1989", at:

https://www.spuerkeess.lu/fileadmin/mediatheque/documents/about_us/Governance/Status_LOI_2024_EN.pdf

³⁸ ABBL, "Code of Conduct", at: https://www.abbl.lu/media/file/global/dynamic/a1ffc598db65031c08c40d00fd7117217234c0b8/2019-04_ABBL_Code%20of%20Conduct.pdf

³⁹ Spuerkeess, "Sustainable Development Report" (2023), at: <https://www.spuerkeess.lu/en/about-us/sustainability/csr-policy-of-spuerkeess/statement-of-the-sustainability-policy/>

⁴⁰ European Savings Banks Group, "ESBG Charter for Responsible Business", (2008), at:

https://www.spuerkeess.lu/fileadmin/mediatheque/documents/about_us/Governance/ESBG_Charter_for_responsible_business.pdf

⁴¹ The Luxembourg Bankers' Association, "Code of Conduct", (2016), at:

https://www.spuerkeess.lu/fileadmin/mediatheque/documents/about_us/Compliance_information/ABBL_code_of_conduct.pdf

⁴² Equator Principles, "Designed & Non-Designated Countries", at: <https://equator-principles.com/about-the-equator-principles/>

Section 3: Impact of Use of Proceeds

The use of proceeds category is aligned with those recognized by the GBP. Sustainalytics has focused below on where the impact is specifically relevant in the local context.

Importance of financing energy-efficiency buildings in Luxembourg

The buildings sector accounted for 35% of the energy-related emissions in the EU in 2021.⁴³ In Luxembourg, the transport and “other emissions” sectors accounted for 77% of the country’s emissions in 2021,⁴⁴ with the buildings sector responsible for approximately 12% of all emissions in 2020.⁴⁵ In addition, energy consumption from dwellings rose by approximately 2.13% between 2020 and 2021, driven by an increase in energy consumption from a sharp increase of 46.3% in population, partially offset by such population living in new, more energy-efficient homes.⁴⁶

In accordance with the EU climate targets, Luxembourg aims to become carbon neutral by 2050.⁴⁷ To achieve this goal, Luxembourg has introduced an integrated national energy and climate plan for 2021-2030 (PNEC) and has set out a national climate and energy objective of improving energy efficiency by 44% for 2030.⁴⁸ With regard to this goal, the central objectives of the PNEC in relation to the buildings sector include: i) new fossil-free single-purpose and residential buildings; ii) high rate of renovation and highly efficient building renovations; iii) developing a large energy efficiency market for industry, SMEs and office buildings; iv) low-energy and energy-plus buildings by law for residential and single purpose buildings; and v) ambitious renovation of the existing housing stock (3% renovation rate at 72% renovation depth on average).⁴⁹ Under the PNEC, Luxembourg introduced a “nearly net zero” energy standard for newly constructed residential buildings beginning in 2017, and for non-residential buildings constructed after 2020.⁵⁰ Luxembourg has also implemented a building renovation strategy aligned with the EU 2012 Energy Efficiency Directive, aiming to prioritize high-efficiency renovations and improve the affordability of energy renovation measures.⁵¹ In January 2017, Luxembourg introduced the Climate Bank and Sustainable Housing Package to enhance energy efficiency and promote renewable energy in buildings.⁵² This package launched the Climate Bank programme, offering low-rate climate loans to encourage residents and companies to undertake energy efficiency renovations.⁵³ Additionally, the package reformed the existing Prime House financial aid scheme to boost investment subsidies for both energy efficiency renovations and building-integrated renewable energy systems.⁵⁴

Based on the above context, Sustainalytics is of the opinion that Spuerkeess’ financing of green buildings is aligned with Luxembourg’s commitments to improve the energy efficiency of the buildings sector and will contribute to the country’s decarbonization goals.

Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The instruments issued under the Spuerkeess Green Bond Framework are expected to advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Green Buildings	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
	9. Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use

⁴³ EEA, “Greenhouse gas emissions from energy use in buildings in Europe”, (2023), at: <https://www.eea.europa.eu/en/analysis/indicators/greenhouse-gas-emissions-from-energy>

⁴⁴ European Parliament, “Climate action in Luxembourg”, (2021), at: [https://www.europarl.europa.eu/RegData/etudes/BRIE/2021/690664/EPRS_BRI\(2021\)690664_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2021/690664/EPRS_BRI(2021)690664_EN.pdf)

⁴⁵ Government of Luxembourg, “Luxembourg’s Integrated National Energy and Climate Plan for 2021-2030”, at: https://energy.ec.europa.eu/system/files/2020-07/lu_final_necp_main_en_0.pdf

⁴⁶ Odyssee-Mure, “Luxembourg | Energy profile”, (2024), <https://www.odyssee-mure.eu/publications/efficiency-trends-policies-profiles/luxembourg-country-profile-english.pdf>

⁴⁷ International Energy Agency, “Luxembourg”, at: <https://www.iea.org/countries/luxembourg>

⁴⁸ Government of Luxembourg, “Luxembourg’s integrated national energy and climate plan for the period 2021-2030 (PNEC)”, at: <https://gouvernement.lu/en/dossiers/2023/2023-pnec.html>

⁴⁹ Government of Luxembourg, “Luxembourg’s Integrated National Energy and Climate Plan For 2021-2030”, at: https://energy.ec.europa.eu/system/files/2020-07/lu_final_necp_main_en_0.pdf

⁵⁰ Ibid.

⁵¹ Ibid.

⁵² IEA, “Luxembourg 2020 Energy Policy Review”, at: https://iea.blob.core.windows.net/assets/8875d562-756c-414c-bc7e-5fc115b1a38c/Luxembourg_2020_Energy_Policy_Review.pdf

⁵³ Ibid.

⁵⁴ Ibid.

		efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
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Conclusion

Spuerkeess has developed the Spuerkeess Green Bond Framework under which it may issue debt securities, such as green bonds which may be public or private placements, senior preferred or non-preferred covered bonds, structured products and retail issuances. The Bank intends to use the proceeds to finance or refinance residential and commercial real estate in Luxembourg. Sustainalytics considers that the eligible projects will contribute to improving the energy efficiency of buildings in Luxembourg.

The Framework outlines processes for tracking, allocation and management of proceeds, and makes commitments for reporting on allocation and impact. Sustainalytics considers that the Spuerkeess Green Bond Framework is aligned with Spuerkeess' sustainability strategy and that the use of proceeds will contribute to the advancement of UN Sustainable Development Goals 7 and 9. Additionally, Sustainalytics considers that Spuerkeess has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects.

Based on the above, Sustainalytics is confident that Spuerkeess is well positioned to issue green bonds and that the Spuerkeess Green Bond Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles 2021.

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