SPUERKEESS

Luxembourg, 30 September 2026

Statement on the Policy for the Integration of Sustainability Risks

1. Introduction

Spuerkeess Mission and Commitments

Since its establishment in 1856, Spuerkeess has played an important role in the economic and social development of Luxembourg. Its mission is defined by the Organic Law of 24 March 1989:

> *Article 5 of the Organic Law of 1989: "As a state-owned bank, Spuerkeess has the mission to:*
>
> ***a)** contribute through its activities, particularly its financing activities, to the economic and social development of the country in all areas; and*
>
> ***b)** promote savings in all its forms."*

Faithful to the mission entrusted to it under Article 5 of its Organic Law, Spuerkeess aims to be the benchmark for sustainable development within the Luxembourg financial centre. As part of its sustainability strategy, Spuerkeess has adopted a "Transition Enabler" approach aimed at raising awareness among and supporting stakeholders within the Luxembourg economy in their transition towards a low-carbon and resilient economy, by progressively directing financing and investments towards sustainable projects and assets.

The integration of Environmental, Social and Governance (ESG) considerations into investment and financing decision-making processes, both for its own activities and for the services it provides to clients, is one of the key pillars of this commitment.

As a systemic bank for Luxembourg, Spuerkeess has always attached the utmost importance to its stability while adapting to changes in the social and economic environment in order to sustain long-term growth that is essential to the Luxembourg ecosystem.

Scope and Objectives

Regulation (EU) 2019/2088 of 27 November 2019 on sustainability-related disclosures in the financial services sector **(the "SFDR Regulation")** requires financial market participants and financial advisers:

- to disclose information on their policies regarding the integration of sustainability risks into their investment decision-making processes and investment advice;
- to include in their remuneration policies information on how those policies are aligned with the integration of sustainability risks.

As a financial market participant providing portfolio management services and acting as a financial adviser, Spuerkeess is required to take sustainability risks into consideration within the framework of its activities.

The purpose of this document is to describe:

- in accordance with Article 3 of the SFDR Regulation, the manner in which Spuerkeess integrates sustainability risks[1] into its investment decision-making process[2] and its investment advisory activities; and
- in accordance with Article 5 of the SFDR Regulation, the manner in which Spuerkeess' remuneration policy is aligned with the integration of sustainability risks.

It should be noted that this document does not apply to Spuerkeess' proprietary activities.

2. Integration of Sustainability Risks into Portfolio Management and Investment Advisory Services

2.1. Sustainability Risks

By definition, sustainability risks, or ESG risks, refer to environmental, social or governance events or conditions which, if they occur, could have an actual or potential material adverse impact on the value of an investment[3].

These risks can be divided into three categories:

- **Environmental risks**, which are generally considered to comprise two main risk factors[4]:
  - **Physical risk**, relating to the financial effects of climate change and environmental degradation. This risk may be described as acute when resulting from extreme events (e.g. droughts, floods, storms, etc.) and chronic when resulting from gradual changes (e.g. rising temperatures, biodiversity loss, etc.); and
  - **Transition risk**, relating to the financial loss that may be incurred, directly or indirectly, as a result of the transition towards a low-carbon and more environmentally sustainable economy (e.g. abrupt adoption of climate and environmental policies, technological developments, changes in market trends, etc.);
- **Social risks,** relating to adverse impacts associated with the management of human capital and its effects on society (e.g. respect for human and labor rights, privacy protection and data security, etc.); and
- **Governance risks**, relating to adverse impacts associated with governance structures and practices (e.g. independence of governing bodies, remuneration policies, ownership and

[1] Within the meaning of Article 2(1)(j) of the SFDR Regulation.
[2] Within the meaning of Article 2(11)(c) of the SFDR Regulation.
[3] Au sens de l'article 2, 22) du Règlement SFDR.
[4] According to the definition provided by the ECB in its *« Guide on Climate-related and Environmental Risks »* (November 2020).

control structures, business ethics, regulatory and tax compliance practices, etc.).

2.2. Management of Sustainability Risks

Spuerkeess integrates sustainability risks into its overall governance, risk appetite and risk management framework. Sustainability risks, in particular transition risks and physical risks related to climate change, are taken into account in the Bank's credit, investment and risk management processes.

The identification, assessment and monitoring of these risks are based in particular on a combination of quantitative and qualitative indicators, including financed emissions calculated in accordance with the PCAF methodology, sectoral decarbonization pathways based notably on the NZBA, TPI and NGFS frameworks, the carbon intensity of certain portfolios, exposure to carbon-intensive sectors, as well as exposure to physical risks associated with climate change.

In order to limit its exposure to sustainability risks, Spuerkeess applies policies incorporating sustainability factors, exclusion criteria and enhanced monitoring mechanisms, particularly with regard to certain activities that are highly exposed to climate transition risks. The Bank also monitors the sectoral concentration and geographical location of its exposures, taking into account physical, regulatory and economic risks that may affect the resilience of these portfolios.

The integration of ESG risks into the overall risk management framework is described in detail in Section 4 of the Spuerkeess Sustainability Report.

More specifically, Spuerkeess' investment policy is based on a process for analysing and selecting the financial instruments that make up the investment universe from which the investment solutions offered through portfolio management and investment advisory services are constructed.

At present, the management of sustainability risks in the definition of this investment universe is primarily based on:

- the application of ESG exclusions; and
- the integration of ESG factors.

It should be noted that additional criteria, including more restrictive requirements, may apply to certain investment solutions. Where applicable, these are described in the sustainability documentation dedicated to those investment solutions.

2.2.1. Application of ESG Exclusions

Spuerkeess has established an ESG Exclusion Policy which sets out the principles, governance framework and criteria for identifying and excluding activities, sectors and companies deemed incompatible with Spuerkeess' sustainability commitments, thereby helping to limit the potential adverse impacts of its investment and advisory activities.

The policy primarily focuses on climate and environmental impacts and provides for the exclusion of:

- Counterparties, sectors and activities that cause significant environmental harm or have material adverse impacts on the climate or the environment (sector-based exclusions);

- Counterparties involved in controversies related to non-compliance with the principles of the United Nations Global Compact (UN Global Compact) or the OECD Guidelines for Multinational Enterprises (controversy-based exclusions and mitigation of the Bank's reputational risk).

In this context, the resulting exclusions that are applied are sector-based and/or controversy-based. These exclusions are described in detail in the ESG Exclusion Policy published on the Spuerkeess website. (Spuerkeess_ESG_Exclusion_Statement_092026.pdf)

2.2.2. Integration of ESG factors

The consideration and management of sustainability risks also involve a process of integrating ESG factors. These factors are incorporated into the analysis and selection of the financial instruments that make up the Spuerkeess investment universe. As a result, traditional financial analysis is complemented by non-financial analysis based on ESG factors.

To this end, and similarly to its approach to controversy management, Spuerkeess currently relies on ESG research and ratings provided by its partner MSCI. MSCI has developed and applied a rating methodology based on a *"Best-in-Class"* approach.

The ESG rating provided by MSCI enables the assessment, on a sector-by-sector basis, of each issuer's resilience to long-term ESG risks and opportunities. ESG ratings range from leaders (ESG ratings of AAA and AA) to average performers (ESG ratings of A, BBB and BB), and laggards (ESG ratings of B and CCC). The highest-rated issuers (AAA and AA) are those considered to manage the most significant sustainability risks most effectively.

Spuerkeess integrates the ESG ratings provided by MSCI into its investment processes. Currently, no general exclusion policy based on MSCI ESG ratings is applied. However, for most investment advisory activities, Spuerkeess relies on model portfolios used as benchmarks and designed to maintain a high overall ESG profile. These portfolios incorporate ESG criteria in order to favour investments in securities issued by the highest-rated issuers and to achieve and subsequently maintain, for each investment vehicle serving as the basis for its investment advisory activities, a weighted average ESG rating of at least AA. This rating constitutes one of the parameters taken into account in the construction of the model portfolio and neither represents a constraint applicable to each financial instrument nor guarantees the ESG profile of any individual investment recommendation.

Client recommendations are determined on the basis of the client's individual circumstances and remain primarily guided by the client's knowledge and experience, financial situation, investment objectives and risk profile, as well as, where applicable, sustainability preferences.

Where a client expresses such preferences, the Bank takes them into account in accordance with the requirements of the applicable regulatory framework, particularly with regard to sustainable investments, alignment with the European Taxonomy, and the consideration of principal adverse impacts on sustainability factors.

3. Integration of Sustainability Risks into the Remuneration Policy

The Spuerkeess remuneration policy, validated by the Executive Committee and approved by the Board of Directors, specifies that the variable remuneration granted to employees is not based on quantitative criteria and therefore does not encourage the taking of sustainability risks.

This applies in particular to portfolio management and investment advisory services, where the pursuit of potentially higher financial returns should not be incentivized at the expense of Spuerkeess' sustainable development objectives.

Nevertheless, employees' active contribution to the long-term alignment of Spuerkeess' actions with its ambition to act as a Transition Enabler is taken into account as part of their performance assessment.

4. Legal notice

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