



Second-Party Opinion

Banque Internationale à Luxembourg Green Bond Framework

Evaluation Summary

Sustainalytics is of the opinion that the Banque Internationale à Luxembourg Green Bond Framework is credible and impactful and aligns to 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 11.



PROJECT EVALUATION / SELECTION Banque Internationale à Luxembourg (“BIL”)’s Green Bond Committee comprised of the Head of Sustainable Development, Head of Long-Term Funding and members from the Asset & Liability Management Committee, will be responsible for the selection and approval of all eligible projects. BIL evaluates the eligible portfolio to ensure it aligns with the Company’s environmental and social risk policies including, Code of Ethics, ESG Policy and Sustainable Procurement Policy. Sustainalytics considers the project selection process in line with market practice.



MANAGEMENT OF PROCEEDS BIL intends to fully allocate proceeds within 24 months and has defined 36 months as the lookback period for refinancing of projects. Unallocated proceeds will be temporarily reinvested in accordance with BIL’s Investment Guidelines in cash, deposits, money market instruments or additional liquid short-term marketable instruments. BIL’s Green Bond Committee will be responsible for the managing and tracking of proceeds via an internal tracking system. This is in line with market practice.



REPORTING BIL intends to report on allocation of proceeds on its website on an annual basis until full allocation. The allocation reporting will include an overview of the green bond(s) outstanding under the Framework, size of the eligible portfolio, balance of unallocated proceeds and the proportion of financed and refinanced projects. In addition, BIL is committed to reporting on relevant impact metrics. Sustainalytics views BIL’s allocation and impact reporting as aligned with market practice. BIL has also committed to an independent review of its annual reporting, which is in line with best market practice.

Evaluation Date	April 29, 2022
Issuer Location	Luxembourg City, Luxembourg

Report Sections

Introduction.....	2
Sustainalytics’ Opinion	3
Appendices	9

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Introduction

BIL established in 1856 and headquartered in Luxembourg, is the oldest multi-business and third largest bank in Luxembourg. It services clients across the retail, private, and corporate sectors, offering corporate and investment banking as well as other financial services including sustainable loans, real estate financing, SME financing, and wealth management. The Bank has approximately 2,000 employees worldwide with branches in Luxembourg, Switzerland, and China. BIL is 90% owned by Legend Holdings Corporation and 10% by the Grand Duchy of Luxembourg.

BIL has developed the Banque Internationale à Luxembourg Green Bond Framework (the “Framework”) under which it intends to issue multiple green bonds or private placements and use the proceeds to finance and/or refinance, in whole or in part, existing and/or future projects that deliver positive environmental impact by improving the energy performance of the building stock in Luxembourg. The Framework defines eligibility criteria in the following green category:

Green Buildings

BIL engaged Sustainalytics to review the Banque Internationale à Luxembourg Green Bond Framework, dated April 2022, and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2021 (GBP).¹ This Framework has been published in a separate document.²

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

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent³ opinion on the alignment of the reviewed Framework with the 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 1.11, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of BIL’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. BIL representatives have confirmed (1) they understand it is the sole responsibility of BIL to ensure that the information provided is complete, accurate or up to date; (2) that 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 that Framework.

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

Sustainalytics’ Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is 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 expected to be financed with bond proceeds but does not measure the actual impact. The

¹ 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/>.

² The Banque Internationale à Luxembourg (BIL) Green Bond Framework is available on BIL’s website at: <https://www.bil.com/en/bil-group/investor-relations/Pages/index.aspx>

³ 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.

measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner. Upon twenty-four (24) months following the evaluation date set stated herein, BIL is encouraged to update the Framework, if necessary, and seek an update to the Second-Party Opinion to ensure ongoing alignment of the Framework with market standards and expectations.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond proceeds 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, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that BIL has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Banque Internationale à Luxembourg Green Bond Framework

Sustainalytics is of the opinion that the Banque Internationale à Luxembourg Green Bond Framework is credible and impactful, and aligns with the four core components of the GBP. Sustainalytics highlights the following elements of BIL's Green Bond Framework:

- Use of Proceeds:
 - The eligible category, Green Buildings, is aligned with the one recognized by the GBP.
 - Under the Green Buildings category, BIL may finance or refinance the refurbishment, acquisition, and ownership of residential buildings in Luxembourg. Sustainalytics considers the criteria under this category to be aligned with market practice and notes the following:
 - For the acquisition and ownership of green buildings, the building should (i) have obtained an Energy Performance Certificate (EPC) of at least Level "A", or (ii) belong in the top 15% of the most energy-efficient buildings in the national building stock, or (iii) have Primary Energy Demand (PED) with at least 10% lower than the national threshold established for nearly zero-energy building (NZEB) requirements.⁴
 - Refurbishments costs are eligible only if they (i) result in the achievement of at least 30% reduction of PED after refurbishment in comparison to pre-renovation performance, or (ii) comply with major renovation requirements listed in the Energy Performance of Buildings Directive (EPBD). Sustainalytics notes that the EU Taxonomy⁵ requires meeting the relevant cost-optimal minimum energy performance requirements in accordance with the EPBD, which varies among EU Member States. Sustainalytics therefore encourages BIL to report on the actual improvement on primary energy demand performance or energy savings achieved in comparison with the existing building stock in the area or region.
 - The Framework specifies exclusionary criteria for certain activities which may pose added social or environmental risks, such as nuclear or fossil fuel activities, controversial weapons, gambling, and tobacco. Sustainalytics views the inclusion of exclusionary criteria as described above to strengthen the Framework.
- Project Evaluation and Selection:
 - BIL's Asset & Liability Management ("ALM") Department will pre-select eligible loans and investments based on the eligibility criteria as defined in the Framework.
 - The Bank has also established a Green Bond Committee (the "Committee") chaired by the Chief Financial Officer and comprised of the Head of Sustainable Development, Head of Long-Term

⁴ Nearly zero-emission building (NZEB) refers to a building that has a very high energy performance, while the nearly zero or very low amount of energy required should be covered to a very significant extent by energy from renewable sources, including energy from renewable sources produced on-site or nearby. The primary energy requirements of nearly zero-energy buildings (NZEB) vary between 0 and 160 kWh/m²/a for residential buildings. For more information, please visit: https://energy.ec.europa.eu/topics/energy-efficiency/energy-efficient-buildings/nearly-zero-energy-buildings_en

⁵ EU Taxonomy, "Renovation of Existing Buildings", at: https://ec.europa.eu/sustainable-finance-taxonomy/activities/activity_en.htm?reference=7.2

Funding, and members from the ALM Committee.⁶ The Committee reviews the investments selected by the ALM Department, and then evaluates and selects projects based on the criteria set out in the Green Bond Framework. The Committee will also be in charge of reviewing and approving allocations of Green Bond proceeds to the eligible portfolio.

- BIL evaluates the eligible portfolio to ensure it aligns with the Company's environmental and social risk policies, including Code of Ethics, ESG Policy and Sustainable Procurement Policy.
- Based on the established process for project selection and the presence of risk management processes, Sustainalytics considers this process to be in line with market practice.
- **Management of Proceeds:**
 - BIL's Green Bond Committee will also be responsible for managing and tracking the proceeds via an internal tracking system.
 - BIL intends to fully allocate proceeds within 24 months of issuance. The Bank has also established 36 months as a lookback period for refinancing of projects.
 - Unallocated proceeds will be temporarily invested in accordance with BIL's investment guidelines in cash, deposits, money market instruments or additional liquid short-term marketable instruments. An external auditor will annually verify the proceeds allocated to the eligible portfolio and the remaining balance of unallocated proceeds.
 - Based on the use of a tracking system and disclosure of temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
- **Reporting:**
 - BIL intends to report on the allocation and impact of proceeds on its website on an annual basis until full allocation.
 - The allocation reporting will include an overview of the green bond(s) outstanding under the Framework, size of the eligible portfolio, balance of unallocated proceeds, and the proportion of financed and refinanced projects.
 - In addition, the Bank is committed to reporting on relevant impact metrics per eligible category, which may include estimate annual financed GHG emissions and avoided GHG emissions, number of buildings and estimated total floor area financed, and annual energy consumption and savings.
 - Based on these commitments to both impact and allocation reporting, Sustainalytics considers this process to be in line with market practice. BIL has also committed to an independent review of its annual reporting, which is in line with best market practice.

Alignment with Green Bond Principles 2021

Sustainalytics has determined that the Banque Internationale à Luxembourg Green Bond Framework aligns to the four core components of the GBP. For detailed information please refer to Appendix 1: Green Bond/Green Bond Programme External Review Form.

Section 2: Sustainability Strategy of BIL

Contribution of framework to Banque Internationale à Luxembourg's sustainability strategy

Sustainalytics is of the opinion that BIL demonstrates a commitment to sustainability by incorporating ESG factors into its core business activities. BIL's 2021 sustainability strategy is focused on four key pillars: (i) sustainable governance and strategy, highlighting how BIL implements its strategy across the company's business units, (ii) sustainable products and services, addressing how the company integrates ESG into its products and services, (iii) responsible employer, focusing on employee development and sustainability training, and (iv) positive impact, relating to the company's corporate social responsibility ("CSR") initiatives.⁷ Sustainalytics highlights the Bank's efforts on sustainable governance and strategy, and sustainable products and services due to its relevance to the projects that may be financed.

To comply with the European Sustainable Finance Disclosure Regulation (SFDR), BIL published its Sustainable and Responsible Investment Statement (the "Statement") which describes how BIL integrates environmental and social due diligence into its investment decision processes and sets exclusionary criteria for its financing

⁶ The ALM Committee is composed of the Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, Chief of Luxembourg Market and CIB, Head of Financial Markets, Head of Financial Risk Management, and Head of Asset & Liability Management.

⁷ BIL Green Bond Framework 2022

activities.⁸ This Statement also applies to the Bank's portfolio, where BIL has set a target that at least 30% of its portfolio will be invested into green, social and sustainable bonds by the end of 2025, up from 10.5% at the end of 2021.

Regarding its products and services, BIL offers a range of sustainable loans. For instance, BIL offers climate loans subsidized by the Luxembourg State for energy renovations as well as Photovoltaic loans with a preferential rate for solar panel installations. Since 2020, BIL's leasing unit has also offered preferential rates for electric and hybrid vehicles, and in partnership with ALD Automotive Luxembourg, it has offered a private leasing solution for green vehicles.⁹ Furthermore, four of the BIL Invest Sicav Patrimonial sub-funds have obtained the Luxembourg Finance Labelling Agency (LuxFLAG) ESG label, which validates ESG integration across the investment processes.¹⁰ Additionally, according to the latest EU Commission Delegated Regulation, as of August 2022, BIL will be required to include ESG preferences and develop investment advice to raise awareness of sustainability among its clients.¹¹

Sustainalytics recognizes BIL's commitment to key sustainability principles and environmental initiatives and encourages it to include quantifiable and time-bound environmental targets to further strengthen its sustainability practices, where feasible.

Approach to managing environmental and social risks associated with the projects

While Sustainalytics recognizes that the net proceeds from the bonds issued under the Framework will be directed towards eligible projects that are expected to have positive environmental impact, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects could include stakeholder participation, occupational health and safety, land use and biodiversity issues associated with large-scale infrastructure development, and emissions, effluents, waste generated during construction.

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

- In 2021, BIL launched its sustainability strategy based on engagements with key stakeholders, including its customers, employees and shareholders. This strategy is managed and monitored across many departments through the internal "Towards Sustainability Programme" led by the Head of Sustainable development. This process ensures dialogue with stakeholders, organizes the non-financial reporting aligned with the Global Reporting Initiative (GRI) standards, and coordinates the Sustainability Steering Committee, responsible for implementing the ESG strategy.¹²
- The Bank runs a stakeholder assessment to see to what extent companies include stakeholder interests in their long-term strategies. Furthermore, BIL has created a Sustainability Community formed by experts to raise awareness, organize trainings, facilitate sustainability assessments and maintain contact with all concerned stakeholders.¹³
- Under the 2021 Sustainable and Responsible Investment Statement published to comply with the SFDR, BIL describes that the Bank conducts a sustainability assessment that leads to an ESG scoring. This assessment is run through five categories: climate change, resource depletion and waste management, digitalization and innovation, healthy living and wellbeing, and demographic shifts.¹⁴ In 2021, BIL began an ESG risk assessment of its balance sheet and investment portfolios to assess the impact of its activities, mitigate risks and support the transition to a sustainable economy.¹⁵
- The Bank has established a Loan Origination and Monitoring Policy that describes how ESG issues are considered throughout the lending process. Initial screening includes clients' physical risk exposure such as real estate projects that might be affected by weather events. Risk analysis now includes exposure to climate change, cyber security and disruptive technologies, pandemics, changes in consumer behaviour and competitive landscape, and geopolitical conflicts, among others.¹⁶

⁸ BIL, "Sustainable and Responsible Investment Framework", (2021), at:

https://www.bil.com/fr/groupe-bil/documentation/Documents/BIL_SustainablePortfolioManagementFramework_09_21_EN.pdf

⁹ BIL, "Non financial report", (2020), at: <https://www.bil.com/Documents/brochures/Non-financial-report-2020.pdf>

¹⁰ More information about LuxFLAG is available at: https://www.luxflag.org/media/pdf/fact_sheets/LuxFLAG_Factsheet_2018_English.pdf

¹¹ European Union, "Commission Delegated Regulation (EU) 2021/1255", (2021), at:

https://eur-lex.europa.eu/legal-content/EN/TXT/?toc=OJ%3AL%3A2021%3A277%3ATOC&uri=uriserv%3AOJ.L_.2021.277.01.0011.01.ENG

¹² BIL Green Bond Framework 2022

¹³ BIL, "Sustainable and Responsible Investment Framework", (2021), at:

https://www.bil.com/fr/groupe-bil/documentation/Documents/BIL_SustainablePortfolioManagementFramework_09_21_EN.pdf

¹⁴ Ibid.

¹⁵ Additional documentation, the "2021 Sustainability Report" has been provided by BIL to Sustainalytics for review.

¹⁶ Ibid.

- The Bank has set a Sustainable Procurement Policy and a Guide to the Implementation of CSR Policy by Suppliers, to encourage respect for human rights and the environment, and the protection of the health and safety of suppliers' employees.^{17,18}
- The European Union set in 1989 the OSH Framework Directive, which introduced general principles to be applied by member states regarding the safety and health of workers. A key element of this Directive is the risk assessments that employers must run periodically. Furthermore, individual directives have been developed with more stringent provisions for specific sectors.¹⁹ In Luxembourg, the Code du Travail (Labour Code) transposes into Luxembourg law the EU directives.²⁰
- BIL is exposed to potential land use and biodiversity risks as a result of financing the development or acquisition of new buildings or refurbishing existing assets. In accordance with the EU regulation Construction and Demolition Waste, BIL is required to follow the guidelines set out by each of the Member States where the Company operates. These regulations ensure that waste management is carried out without endangering human health or causing harm to the environment.²¹
- In 2021, BIL joined the Principles for Responsible Banking under the United Nations Environment Programme Finance Initiative. This is reflective of the Bank's commitment to support projects that enable the transition to a low-carbon, climate-resilient economy required to limit global warming.²²
- As a signatory to the United Nations Global Compact since 2021, BIL conforms to its 10 principles, including human rights, labour, environment, and anti-corruption, and transparently communicates its progress on environmental and social targets on an annual basis.²³
- BIL carries out its operations in Luxembourg, which is recognized as Designated Country under the Equator Principles, ensuring the presence of robust environmental and social governance, legislation systems and institutional capacity to mitigate the environmental and social risk associated with projects financed under the Framework.²⁴
- BIL has implemented its Code of Ethics (the "Code"), which guides the activities of the Bank and its subsidiaries, branches and representative offices, and forms the basis of internal and external relations including relations with staff members, clients and partners. The code relates to business ethics, regulatory compliance and overall social responsibility, and applies to all directors, managers and staff members. The Bank has set a whistleblowing charter for the reporting of any breach of the Code.²⁵

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

Section 3: Impact of Use of Proceeds

The use of proceed category is aligned with those recognized by the GBP and is relevant in the local context.

Importance of energy-efficient buildings in the EU and Luxembourg

Buildings are a key contributor to emissions and the largest consumer of energy in the EU.²⁶ The buildings sector is responsible for 40% of the EU energy consumption and 36% of GHG emissions.²⁷ Approximately 35% of the buildings in the EU are more than 50 years old and 75% of the building stock is energy inefficient.²⁸ The

¹⁷ Additional documentation, "The Sustainable Procurement Policy" has been provided by BIL to Sustainalytics for review.

¹⁸ BIL, "Guide to the Implementation of CSR Policy by Suppliers", (2017), at: <https://www.bil.com/Documents/brochures/charte-fournisseur-en.pdf>

¹⁹ European Agency for Safety and Health at Work, "The OSH Framework Directive", (1989), at: <https://osha.europa.eu/en/legislation/directives/the-osh-framework-directive/the-osh-framework-directive-introduction>

²⁰ Government of Luxembourg, "Journal Officiel – Code du Travail", (2021), at: <https://legilux.public.lu/eli/etat/leg/code/travail/20211129>

²¹ European Commission, "Construction and demolition waste", at: https://ec.europa.eu/environment/topics/waste-and-recycling/construction-and-demolition-waste_en

²² UN Environment Programme, "Banque Internationale à Luxembourg", at: <https://www.unepfi.org/member/banque-internationale-a-luxembourg/>

²³ UN Global Compact, "Banque Internationale à Luxembourg", at: <https://www.unglobalcompact.org/what-is-gc/participants/148871-Banque-Internationale-Luxembourg>

²⁴ Equator Principles, "Designated Countries", at: <https://equator-principles.com/about-the-equator-principles/designated-countries/>

²⁵ The Code of Ethics has been provided to Sustainalytics on a confidential basis.

²⁶ European Parliament, "Report on maximizing the energy efficiency potential of the EU building stock", (2020), at: https://www.europarl.europa.eu/doceo/document/A-9-2020-0134_EN.html

²⁷ European Commission, "In focus: Energy efficiency in buildings", (2020) at: https://ec.europa.eu/info/news/focus-energy-efficiency-buildings-2020-feb-17_en

²⁸ European Commission, "New Rules for Greener and Smarter Buildings will increase quality of life for all Europeans", at: https://ec.europa.eu/info/news/new-rules-greener-and-smarter-buildings-will-increase-quality-life-all-europeans-2019-apr-15_en

EU has committed to an emissions reduction target of 55% by 2030 compared to 1990 levels.²⁹ To achieve this, the EU would need to reduce GHG emissions from buildings by 60%, final energy consumption by 14% and energy consumption from heating and cooling by 18% by 2030 compared to 2015 levels.^{30,31} Therefore, the renovation of buildings to improve energy performance is expected to play a major role in decarbonizing the sector. The European Commission's Renovation Wave strategy aims to double annual energy renovation rates by 2030 from the current weighted average energy renovation rate of 1%.³² In line with these commitments, the Energy Performance of Buildings Directive requires public buildings developed since 2019 and new buildings beginning in 2021 to meet NZEB requirements and EPCs to be issued when a building is sold or rented.³³

In 2020, the Government of Luxembourg created the Luxembourg Sustainable Finance Initiative (LSFI) to design and implement a sustainability strategy in collaboration with the United Nations Environment Programme.³⁴ In 2021, LSFI launched the Luxembourg Sustainable Finance Strategy, which provides an action plan to support the financial centre's transition toward sustainability.³⁵ In accordance with the EU climate target plan,³⁶ Luxembourg has adopted a 50-55% emissions reduction target by 2030 compared to 2005 levels, in sectors outside the emissions trading system.³⁷ It has also implemented legislation aiming for a carbon neutral economy by 2050.³⁸ Luxembourg generates 0.34% of the EU's total GHG emissions, where manufacturing and construction is the third largest sector accounting for 9% of total emissions.³⁹ The building sector (residential and functional buildings) is responsible for approximately 12% of national climate emissions.⁴⁰ To meet emission reduction initiatives, Luxembourg introduced a 'nearly net zero' energy standard for newly constructed residential buildings beginning in 2017, which has also been applied to non-residential buildings constructed after 2020.⁴¹ According to Luxembourg's National Energy and Climate Plan, the building sector expects to achieve an annual renovation rate of 2.7% for buildings built before 1991, with the goal for all existing buildings to be 'net zero' emission standard by 2050.⁴²

Based on the above context, Sustainalytics is of the opinion that the asset selection criteria defined by BIL are aligned with the Luxembourg's government's initiatives to improve energy efficiency in the buildings sector and contribute to the overall efforts towards emission reduction.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 by the United Nations General Assembly and form an agenda for achieving sustainable development by the year 2030. The bond(s) issued under the Banque Internationale à Luxembourg (BIL) Green Bond Framework advances the following SDG(s) and target(s):

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

²⁹ European Commission, "Stepping Up Europe's 2030 climate ambition", (2020), at:

<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52020DC0562>

³⁰ European Environment Agency, "Greenhouse gas emissions from energy use in buildings in Europe", at:

<https://www.eea.europa.eu/data-and-maps/indicators/greenhouse-gas-emissions-from-energy/assessment>

³¹ European Commission, "A Renovation Wave for Europe - greening our buildings, creating jobs, improving lives", at:

https://ec.europa.eu/energy/sites/ener/files/eu_renovation_wave_strategy.pdf

³² European Commission, "Renovation Wave", at: https://ec.europa.eu/energy/topics/energy-efficiency/energy-efficient-buildings/renovation-wave_en

³³ European Commission, "Energy performance of buildings directive", at:

https://ec.europa.eu/energy/topics/energy-efficiency/energy-efficientbuildings/energy-performance-buildings-directive_en

³⁴ Luxembourg Sustainable Finance Initiative (LSFI), at: <https://lsfi.lu/>

³⁵ Luxembourg Sustainable Finance Strategy (2021), at: <https://gouvernement.lu/dam-assets/documents/actualites/2021/02-fevrier/09-gramegna-dieschbourg-finances/Luxembourg-Sustainable-Finance-Strategy-EN.pdf>

³⁶ EU climate target plan: Raising the level of ambition for 2030 (2020), at:

[https://www.europarl.europa.eu/thinktank/en/document/EPRS_BRI\(2020\)659370](https://www.europarl.europa.eu/thinktank/en/document/EPRS_BRI(2020)659370)

³⁷ "Climate action in Luxembourg: Latest state of play" (2021), European Parliament, 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)

³⁸ International Energy Agency Luxembourg, at: <https://www.iea.org/countries/luxembourg>

³⁹ "Climate action in Luxembourg: Latest state of play" (2021), European Parliament, 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)

⁴⁰ Luxembourg's Integrate National Energy and Climate Plan for 2021-2030, at: https://ec.europa.eu/energy/sites/default/files/documents/lu_final_necp_main_en.pdf#page=38

⁴¹ Nearly zero-energy building are generally identified as AAA buildings in the national certification of energy performance certificates.

⁴² Luxembourg's Integrate National Energy and Climate Plan for 2021-2030, at: https://ec.europa.eu/energy/sites/default/files/documents/lu_final_necp_main_en.pdf#page=38

	11. Sustainable Cities and Communities	11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management
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Conclusion

BIL has developed the BIL Green Bond Framework under which it intends to finance green bonds or private placements related to green buildings projects. Sustainalytics considers that the projects funded by the green bond proceeds are expected to support Luxembourg's transition to a low-carbon economy and decarbonize BIL's real estate portfolio.

The BIL Green Bond Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impacts of the use of proceeds. Furthermore, Sustainalytics believes that the BIL Green Bond Framework is aligned with the overall sustainability strategy of the Bank and that the green use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 7 and 11. Additionally, Sustainalytics is of the opinion that BIL 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 BIL is well-positioned to issue green bonds and private placements, and that the BIL Green Bond Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles 2021.

Appendix

Appendix 1: Green Bond / Green Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Banque Internationale à Luxembourg
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	Banque Internationale à Luxembourg Green Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	April 29, 2022
Publication date of review publication:	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (if applicable):

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 11.

Use of proceeds categories as per GBP:

- | | |
|---|--|
| <input type="checkbox"/> Renewable energy | <input type="checkbox"/> Energy efficiency |
| <input type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input type="checkbox"/> Clean transportation |
| <input type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input checked="" type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBP | <input type="checkbox"/> Other (please specify): |

If applicable please specify the environmental taxonomy, if other than GBP:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Banque Internationale à Luxembourg ("BIL")'s Green Bond Committee comprised of the Head of Sustainable Development, Head of Long-Term Funding and members from the Asset & Liability Management Committee, will be responsible for the selection and approval of all eligible projects. BIL evaluates the eligible portfolio to ensure it aligns with the Company's environmental and social risk policies including, Code of Ethics, ESG Policy and Sustainable Procurement Policy. Sustainalytics considers the project selection process in line with market practice.

Evaluation and selection

- | | |
|--|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (please specify): |

Information on Responsibilities and Accountability

- Evaluation / Selection criteria subject to external advice or verification In-house assessment
- Other (please specify):

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

BIL intends to fully allocate proceeds within 24 months and has defined 36 months as the lookback period for refinancing of projects. Unallocated proceeds will be temporarily reinvested in accordance with BIL's Investment Guidelines in cash, deposits, money market instruments or additional liquid short-term marketable instruments. BIL's Green Bond Committee will be responsible for the managing and tracking of proceeds via an internal tracking system. This is in line with market practice.

Tracking of proceeds:

- Green Bond proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other (please specify):

Additional disclosure:

- Allocations to future investments only Allocations to both existing and future investments
- Allocation to individual disbursements Allocation to a portfolio of disbursements
- Disclosure of portfolio balance of unallocated proceeds Other (please specify):

4. REPORTING

Overall comment on section (if applicable):

BIL intends to report on allocation of proceeds on its website on an annual basis until full allocation. The allocation reporting will include an overview of the green bond(s) outstanding under the Framework, size of the eligible portfolio, balance of unallocated proceeds and the proportion of financed and refinanced projects. In addition, BIL is committed to reporting on relevant impact metrics. Sustainalytics views BIL's allocation and impact reporting as aligned with market practice. BIL has also committed to an independent review of its annual reporting, which is in line with best market practice.

Use of proceeds reporting:

- Project-by-project On a project portfolio basis

- Linkage to individual bond(s) Other (please specify):

Information reported:

- Allocated amounts Green Bond financed share of total investment
- Other (please specify): Share of proceeds used for financing vs refinancing

Frequency:

- Annual Semi-annual
- Other (please specify):

Impact reporting:

- Project-by-project On a project portfolio basis
- Linkage to individual bond(s) Other (please specify):

Information reported (expected or ex-post):

- GHG Emissions / Savings Energy Savings
- Decrease in water use Other ESG indicators (please specify): Number of buildings and estimated total floor area (sqm) financed

Frequency

- Annual Semi-annual
- Other (please specify):

Means of Disclosure

- Information published in financial report Information published in sustainability report
- Information published in ad hoc documents Other (please specify): Information published in a separate report on website
- Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE**Type(s) of Review provided:**

- | | |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Review provider(s):**Date of publication:****ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP**

- i. **Second-Party Opinion:** An institution with environmental expertise, that is independent from the issuer may issue a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. **Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

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Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. The firm works with hundreds of the world’s leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. The world’s foremost issuers, from multinational corporations to financial institutions to governments, also rely on Sustainalytics for credible second-party opinions on green, social and sustainable bond frameworks. In 2021, Climate Bonds Initiative named Sustainalytics the “Largest Approved Verifier for Certified Climate Bonds” for the fourth consecutive year. The firm was also recognized by Environmental Finance as the “Largest External Reviewer” in 2021 for the third consecutive year. For more information, visit www.sustainalytics.com.

