



SUSTAINABILITY STRATEGY

Table of contents

1. Purpose and scope of application.....	5
1.1 PURPOSE	5
1.2 SCOPE	5
2. Commitments	5
2.1. Sustainable governance & strategy.....	6
2.2.1. Define an ESG governance and monitor ESG objectives	6
2.2.2. Act for business ethics	7
2.2.3. Integrate ESG factors in selected functions, policies, processes and role description.....	8
2.2.4. Monitor ESG risks	9
2.2.5. Be compliant with disclosure and transparency requirements	9
2.2. Sustainable products & services	10
2.2.1. Perform Product Impact Analysis, disclose product impacts and set targets	10
2.2.2. Define targets / limits to reduce negative impacts and decline into product policies	10
2.2.3. Identify client ESG preferences.....	11
2.2.4. Reinforce and develop sustainable products.....	11
2.2.5. Support entrepreneurs and sustainable innovation	11
2.2.6. Create awareness on sustainable products and their impact.....	11
2.3. Responsible employer.....	11
2.3.1. Ensure employee health and well-being, including a recurrent and qualitative dialogue with employees	11
2.3.2. Foster diversity and inclusion	12
2.3.3. Ensure trainings and development plans for all	12
2.3.4. Raise sustainability awareness	13
2.4. Positive impact.....	13
2.4.1. Define a recurrent engagement plan with our stakeholders.....	13
2.4.2. Launch local impact initiatives on priority SDG.....	13
2.4.3. Reduce our environmental footprint & paper consumption	13
3. METHODOLOGY	13
4. COMPLIANCE	15
5. GOVERNANCE.....	15
6. IMPLEMENTATION	16

7. REPORTING.....	17
8. REVIEW.....	17

Executive summary

• Objective

The Sustainability strategy sets the banks' commitments for sustainable development and corporate responsibility in the scope of its management practices and impacts on local communities.

• General framework

The Strategy is directly applicable to all employees of the BIL Group. Entities can launch specific initiatives linked to sustainable development but need to discuss them with the Sustainable Development Department. These actions are followed-up by the Sustainable Development team to ensure the consistency of the program as a whole and global reporting.

• Principles

- 4 pillars: 1) Responsible Governance & Strategy, 2) Responsible Products & Services, 3) Responsible Employer, 4) Positive impact
- Governance is to be continuously reinforced to better reflect the cross-disciplinary nature of the topic and clear accountability at the highest levels
- ESG considerations will progressively be integrated in all relevant activities, and improving and adapting processes, policies and management systems towards ESG integration. This includes specific operational policies and procedures, training, management system, due diligence, prevention and remediation programs, progress goals, performance measurement and data verification aligned with the relevant standards and best practices.
- The Towards Sustainability Committee has a transverse function to bring together representatives of all the bank's functions in order to share ESG-related initiatives, including the status of ESG-related regulatory projects
- The sustainability strategy will be reviewed on a regular basis as an integral part of the due diligence and risk assessment BIL's Sustainability approach relies on.

The Bank will monitor and report, whenever it is possible, on a regular basis relevant indicators related to the issues covered along this Strategy. A detailed explanation on BIL's evolution on sustainability matters is to be found in BIL's Sustainability report.

1. Purpose and scope of application

1.1 PURPOSE

BIL is a key player in the Luxembourgish financial market and has also dedicated wealth management offices in Switzerland and China. We offer a broad range of services – from retail banking to insurance going through private banking, corporate banking and financial markets – to meet the needs of our local and international clients.

As a responsible bank, BIL supports the transition to a sustainable and resilient future while ensuring the Group's performance and continued stability. To this end, 4 pillars of commitment and responsibility define the banks' sustainability strategy which forms an integral part of the BIL group's Energise Create Together 2025 strategy and thus guides its strategic decision-making and day-to-day management.

This Strategy maps out the Bank's approach towards corporate responsibility and sustainable development to identify, prevent and mitigate the actual and potential adverse impacts while maximizing the positive impacts of its management, products and services and support to local economy.

The present Strategy is also part of the bank's commitment to the UN's 2030 Agenda and its Sustainable Development Goals and UN Global Compact principles, that provide a global framework to build a more responsible future for its stakeholders and the society.

1.2 SCOPE

This Strategy highlights the Groups' commitments for sustainable development and corporate responsibility in the scope of its management practices and impacts on local communities.

The Strategy is directly applicable to all employees of BIL Luxembourg. Entities can launch specific Initiatives linked to sustainable development but need to discuss them with the Sustainable Development Department. These actions are followed-up by the Sustainable Development team to ensure the consistency of the program as a whole and global reporting.

The impact of the banks' core business through integration of Environmental Social and Governance (ESG) factors in its processes, products and services is developed in other topic-specific policies (eg. Product Governance Policy, Responsible Investment Policy).

2. Commitments

"We are an international bank that strongly supports local economy and communities. We engage with our employees to transition towards sustainable banking, conscious of our responsibility and willing to develop products that allow us together with our clients to have a positive impact and to prepare sound grounds for future generations."

Through its sustainability strategy, BIL is committed to develop initiatives around 4 major pillars:



What is the difference between Sustainability, Corporate Social Responsibility (CSR) and ESG?

In 1987, the United Nations Brundtland Commission defined **sustainability** as “meeting the needs of the present without compromising the ability of future generations to meet their own needs”.

In business, sustainability refers to doing business without negatively impacting the environment, community, or society as a whole. Sustainability in business generally addresses two main categories: the effect business has on the environment and the effect business has on society.

CSR is a company's framework of sustainability plans and responsible cultural influence, whereas **ESG** is the assessable outcome concerning a company's overall sustainability performance.

Companies integrate ESG factors as part of their analysis process to identify material risks and growth opportunities.

2.1. Sustainable governance & strategy

BIL is committed to structure the organization to address ESG challenges to support the Bank's long-term stability and growth.

To this end, the Bank is committed to:

2.2.1. Define an ESG governance and monitor ESG objectives

A specific governance framework defines the responsibilities for the implementation of BIL's Sustainability Strategy:

- At management level, the CEO is sponsor of the Sustainability Strategy, which is a recurring item on the agenda of the Executive Committee and the Board of Directors.
- The Group Head of Sustainability reports, since March 2021, directly to the Executive Committee Member in charge of the bank's Strategy, in order to ensure that ESG is fully integrated in the bank's strategy.
- The Group Head of Sustainability leads the sustainability team and conducts a systematic dialogue on ESG issues with key internal and external stakeholders, in order to ensure that the appropriate initiatives (policies, programs, strategies, targets and objectives, communications) are put in place to address ESG challenges and opportunities.
- The Group Head of Sustainability also leads the Towards Sustainability Committee which has a transverse function to bring together representatives of all the bank's functions. Its role is to support BIL's ongoing commitment to sustainability and to give a structured, coherent and regular view to the Executive Committee.

Governance is continuously reinforced to better reflect the cross-disciplinary nature of the topic and clear accountability at the highest levels. In the near future, together with the main stakeholders, BIL will continue to define how each initiative should be monitored within existing (or new, if deemed appropriate) decision bodies, in order to strengthen the global sustainability governance. Tone of the top is key to set the right rhythm and give a clear vision on the bank's ambition.

As far as the entities are concerned, the Department of Sustainable Development has quarterly meetings with identified SPOCs in order to ensure global coherency of ESG initiatives launched within the group.

Initiatives linked to sustainable development and launched by entities have to be discussed with the Head of Sustainable Development. These actions must then be followed-up by the Sustainable Development team to ensure the consistency of the program.

2.2.2. Act for business ethics

BIL is committed to uphold the highest standards of conduct and ethic in the areas of Human Rights, labour and anti-corruption with a focus on key principles such as Integrity, Loyalty, Professionalism, Mutual Respect and Confidentiality. Details on BIL's business ethics values and practices can be found in the topic-specific policies / charter, such as:

- Code of Ethics Charter
- Anti-bribery & Corruption Charter
- Financial Crime Prevention Policy
- Sanctions Policy

- Compliance Charter
- Conflicts of Interest Charter
- Loan origination and monitoring Policy
- Market Abuse Prevention Charter
- Remuneration Charter
- Information Security Policies
- Whistleblowing Charter
- Personal Data Protection Policy

2.2.3. Integrate ESG factors in selected functions, policies, processes and role description

The Bank is progressively integrating ESG factors into relevant functions, processes and role description, leading to specific ESG policies and/or updating existing policies specifying the integration of ESG factors. The progressive integration of ESG considerations mainly concerns the following departments:

- **RISK MANAGEMENT** for:
 - **Identifying, quantifying, managing** and responding to latent and emerging ESG risks
 - Integrating ESG (and particularly climate) capabilities into **existing risk frameworks**: manage all types of risk (credit, market, liquidity, reputational...), risk appetite framework,...
 - Enhancing **existing risk modelling** and develop new approaches and stress testing capabilities for ESG risk
- **PRODUCT VALUE CHAINS** for:
 - Designing new and innovative products to support sustainability
 - Incorporating ESG risk into pricing
- **COMPLIANCE** for:
 - Ensuring “Business ethics” and preserving the integrity of business control frameworks
 - Approving new products and their alignment with applicable laws and regulations
 - Managing liability risks from inadequate or inaccurate non-financial disclosures
- **FINANCIAL MARKETS** for:
 - Integrating ESG into banking book management & long-term funding
 - Integrate ESG considerations in investment processes
 - Defining a green bond framework
- **People Culture and Communication (or Human Resources)** for:

- Ensuring that the overall employee value proposition is in line with BIL's stated values and engagements (health, well-being, professional development, diversity, dialogue)
- Aligning incentives, remuneration on ESG issues
- **Corporate Real Estate and Procurement** for:
 - Reducing negative impacts of the bank's facilities
 - Managing supply chain ESG risks by ensuring BIL does business with suppliers with consistent values and standards
- **Communication & Marketing** for:
 - Communicating credibly and effectively to the market the sustainability of the firm's operations and financing, ESG impacts and the resilience of BIL's strategy to climate change
 - Provide transparency over BIL's product offer to avoid greenwashing
- **FRONT: RETAIL / WEALTH / CIB**
 - Identifying client, counterparty and transactional ESG risks, and integrating these into investment, underwriting and lending decision-making
 - Understanding customers ESG preferences and incorporating these into the sale of products, and provision of advice, in a rapidly developing regulatory environment
- **STRATEGY:**
 - Integrate ESG considerations, by understanding ESG risks and opportunities, when determining and implementing the bank's business model and strategy.

2.2.4. Monitor ESG risks

Aware of the important role that the banks are playing in the transition to a sustainable economic system, the bank is committed to taking ESG factors into account in its global risk management framework. Details can be found in the bank's Risk Policies as well as the global ESG Integration Framework.

2.2.5. Be compliant with disclosure and transparency requirements

The European regulator is setting up norms, laws and directives that require more transparency from banks regarding their impact on sustainable development and climate change, with the aim of aligning with the 2015 Paris Agreements. BIL is committed to regulatory watch to ensure full compliance with current and future regulations regarding sustainability.

Following legal texts frame the activities of banks in this sense:

- **the Sustainable Finance Directive Regulation (SFDR):** the SFDR is intended to increase transparency on sustainability among financial institutions and market participants. The regulation consists of disclosure requirements on the organisational, service and product

levels to standardise sustainability performance, hence preventing “greenwashing” and enabling comparisons for sustainable investment decisions.

- **the Taxonomy Regulation** which aims to define environmentally sustainable activities.
- the **Corporate Sustainability Reporting Directive (CSRD)** aims to provide the general public with non-financial reportings that will make the initiatives of the various organizations fully transparent.
- Last but not least, **the European Banking Authority (EBA) Report on Environmental, Social and Governance (ESG) risks management and supervision**. The Report, which is a key component of the EBA's broader ESG work, provides a comprehensive proposal on how ESG factors and ESG risks should be included in the regulatory and supervisory framework for credit institutions and investment firms.

2.2. Sustainable products & services

BIL is committed to develop responsible products and services that create value for its clients whilst supporting the global ecological and social transition.

2.2.1. Perform Product Impact Analysis, disclose product impacts and set targets

BIL commits to measuring and screening the bank's balance sheet as well as its investment portfolios for managing exposure to various ESG risks and supporting the strategic commitments to sustainability.

For the environmental impact, developing reliable and comprehensive corporate GHG footprint accounting is the first step in managing climate performance. Understanding the GHG footprint of a company's value chain provides the basis for developing a successful climate strategy.

From 2021 onwards the bank commits to annually measure its Carbon footprint. The bank will progressively integrate tools and methodologies to fine-tune its impact assessments. This is an integral part of BIL's climate journey that will enable the bank to set and achieve meaningful climate targets. In parallelly, diverse ESG Data will help to also progressively assess social impacts and governance factors.

2.2.2. Define targets / limits to reduce negative impacts and decline into product policies

Based on the impact analysis, BIL will, from 2022 onward, take appropriate risk mitigation and adaptive measures to minimise the impact of these risks and align with its commitment to support

the sustainable transition. These measures will progressively be integrated in product specific policies.

2.2.3. Identify client ESG preferences

In line with European regulation, BIL will integrate investors' ESG preferences into their suitability assessments, alongside financial objectives, risk profiles (incl. capacity and willingness to bear loss), knowledge and experience of investment and finance, with the objective to respond to clients' expressed preferences.

2.2.4. Reinforce and develop sustainable products

The financial system is the bloodstream of the economy and financial products and services are an essential lever for action and an important part of the toolbox to create solid foundations for future generations. BIL therefore commits to continuously develop its products and services starting with its ESG investment offer as well as supporting clients who want to make their own contribution to the transition to a more sustainable world by offering green financing solutions.

2.2.5. Support entrepreneurs and sustainable innovation

BIL plays an active role in the economic development of Luxembourg and supports its professional clients in their projects, with a particular focus on entrepreneurs.

2.2.6. Create awareness on sustainable products and their impact

Raising awareness and fostering understanding of sustainability issues is a key focus of advice to clients. To better assist clients in their investment choices, the bank will regularly propose client webinars, various educational contents via its Marketing platforms and Marketing campaigns.

2.3. Responsible employer

As a responsible employer, BIL is committed to offer a safe and healthy work environment to enable our employees to develop their potential.

Thus, the Bank promotes management practices that :

2.3.1. Ensure employee health and well-being, including a recurrent and qualitative dialogue with employees

As a responsible employer, BIL considers the right to a safe, clean, healthy, and sustainable environment as part of the internationally recognized human rights. BIL is therefore committed to promote health, well-being and work-life balance.

BIL places emphasis on regular qualitative dialogue with employees to consider their needs in terms of health and well-being at work.

For more details on BIL's commitments towards responsible Human Resources and Health & Safety, please refer to the topic-specific policies.

2.3.2. Foster diversity and inclusion

BIL is convinced that diversity contributes to increasing the collective performance of the organization, as it allows to create an environment of trust and cooperation, to have a positive impact on BIL's culture and to stimulate BIL values. It increases the attraction of talent and the excitement of younger generations who are actively seeking employers with a strong corporate culture and values that are in line with their own.

The Bank strives to offer an inclusive and welcoming workplace culture where every employee feels valued and is allowed to reach their full potential regardless of any differences, be it:

- Cultural and Background, ensure an atmosphere of exchange and openness
- Age, promoting intergenerational exchanges
- Illness and Disability, ensuring to promote professional reintegration or resocialization
- Gender, defining measures to eliminate inequalities
- Sexual Orientation, freeing up the voice

2.3.3. Ensure trainings and development plans for all

BIL is striving to build a strong culture of learning and continuous development that brings out the best in people. The Bank is committed to train and develop its employees, and to establish a workplace that allows everyone to participate in achieving the strategic and sustainable goals with a true sense of belonging. While markets are moving fast, BIL values the continuous development of skills and knowledge to keep up the pace and stay ahead of the competition in the long term.

BIL is committed to provide expert upskilling adapted to the functions for all employees, Management Committees and Executive Committee regarding sustainable finance, ESG matters and corporate responsibility.

To ensure responsible leadership, BIL makes it a point of honour to train managers and team leaders on leadership skills in line with sustainable requirements.

For more details on our commitments towards trainings and development plans, please refer to the Human Resources Policy.

2.3.4. Raise sustainability awareness

BIL focuses on raising awareness on corporate responsibility through strong communication, training and change management to ensure that everyone within the Bank has a harmonized understanding of BIL's sustainability strategy so that it drives each decisions and actions.

2.4. Positive impact

As a major financial actor in the Luxembourgish landscape, the Bank is committed to act for a positive impact on local economy and communities and prepare ground for future generations.

To do so, the following actions are initiated by the Bank:

2.4.1. Define a recurrent engagement plan with our stakeholders

BIL is committed to considering the expectations and interests of its internal and external stakeholders to find out what social and environmental issues matter most to them, throughout the year in order to continuously improve its practices.

2.4.2. Launch local impact initiatives on priority SDG

From support for education programs, health research, and social volunteering or sponsoring community events and non-profit organizations, BIL recognizes that ties to the local and global communities bring benefit to the business, the country and society.

2.4.3. Reduce our environmental footprint & paper consumption

BIL is measuring its carbon footprint in the context of its direct impact of its operations. This allows to identify most significant impacts and to implement optimization measures for business travel, building renovation and paper use.

For each of these priority areas, BIL is committed to progressively set up and/or improve specific operational policies and procedures, training, management system, due diligence, prevention and remediation programs, progress goals, performance measurement and data verification aligned with the relevant standards and best practices.

3. METHODOLOGY

These priority areas have been identified in 2021 through BIL's materiality process including a progressive stakeholder engagement program. To build a sound materiality, BIL has followed different steps:

1. BIL first defined an initial list of potential material topics based on desktop research & benchmark using the applicable GRI sector supplement as well as reports of the financial sector.
2. BIL assessed internally – through multidisciplinary workshops with the Sustainability Steering Committee– the level of impact, occurrence, and the control that BIL holds on each of these topics.
3. BIL mapped and prioritized stakeholders groups based on their level of dependence on, and influence exerted upon the Bank.
4. BIL engaged stakeholder groups : shareholder, Board of Directors, customers and employees.
5. BIL consolidated the materiality matrix and validated the materiality threshold defining 9 material topics, and 5 secondary topics.



Results from the stakeholders' engagement program have been consolidated into a materiality matrix highlighting BIL's priority topics

1. Responsible products & services offering
2. Health & well-being
3. Paperless
4. Economic sustainability
5. Business Ethics & Diversity
6. Dialogue, Engagement et Consultation
7. Supporting entrepreneurship and sustainable innovation
8. Access to financial services
9. Promoting education
10. Clean impact financing
11. Support to local financing
12. Reduce consumption (water, paper, waste) & carbon footprint (Green IT, buildings, business travels)
13. Fighting over indebtedness (Education)
14. Data protection, security & ethic use of personal data
15. Responsible purchasing practices
16. Transparency and communication
17. Art and culture

This work has been complemented by prioritizing 9 SDGs (Sustainable Development Goals) that BIL has committed to contribute to.



This process – that will be reviewed periodically – is an integral part of the due diligence and risk assessment BIL's Sustainability approach relies on.

4. COMPLIANCE

BIL Group is committed to complying with – but not limited to – the main following international, regional, national and sectoral relevant regulations and standards:

- United Nations 17 Sustainable Development Goals (SDGs) towards the Agenda 2030 for Sustainable development
- UN Global Compact 10 principles
- International bill of Human Rights and the International Labor Organization's Declaration on Fundamental Principles and Rights at Work
- UN Guiding Principles on Business and Human Rights
- OECD Due diligence guidance for responsible business conduct
- United Nations Environment Program Finance Initiative Principles for Responsible Banking (PRB)
- EU Sustainable Finance Disclosure Regulation (SFDR)
- EU Corporate Sustainability Reporting Directive (CSRD)
- EU Green Taxonomy
- MIFID II / IDD
- GRI standards (Global Reporting Initiative)
- EBA report on ESG risks
- NGFS guide for Supervisors
- Superdreckskescht fir Betriber (SDK) environmental waste label in Luxembourg

5. GOVERNANCE

The Sustainability Department reports to the Head of Strategy, as the Sustainability Journey of the bank is a strategic topic. The role of the department is to:

- **Formulate the bank's sustainability strategy** and ensure that it is in line with the bank's global strategy as well as its main stakeholder's expectations, through a regular dialogue.
- Have a **global view on all initiatives related to the Sustainability Strategy** across the BIL group in order to ensure a global coordination of the bank's ESG/Sustainability actions, ensuring a consistent and harmonized bank approach.
- **Consider current and emerging ESG Matters** that may affect the business, operations, performance or BIL's public and make recommendations on how BIL's

policies, practices and disclosures can adjust to or address current trends and regulations.

- Regularly prepare and present a structured and coherent **progress update on ESG-related matters to the Management Committees.**
- **Contribute to and monitor the internal and external communication** (including reports) related to Sustainability in close collaboration with Marketing and Communication. This also includes active management of ESG ratings and ensuring that BIL focuses on dimensions which are assessed by the ESG rating
- Contribute to **the bank's upskilling** on Sustainability matters as well as creating **global awareness** on Sustainability throughout the group.



The Towards Sustainability Committee has a transverse function to bring together representatives of all the bank's functions. ESG governance will progressively be reinforced to better reflect the cross-disciplinary nature of the topic and clear accountability at the highest levels.

6. IMPLEMENTATION

BIL is aware of its important role in the transition to sustainable development. To ensure that the strategy is implemented throughout the bank, BIL is :

- Incorporating sustainability in all relevant activities, and improving and adapting processes, policies and management systems towards ESG integration.
- Setting specific, measurable, attainable, realistic, timely targets, in an action plan regularly monitored and tracked, as well as disclosing performances in material issues.
- Devoting multiple days and strong communication to raise awareness on the sustainability strategy;
- Providing upskilling trainings by experts in sustainable finance and corporate social responsibility for all levels of management.

7. REPORTING

The Bank will monitor and report, whenever it is possible, on a regular basis relevant indicators related to the issues covered along this Strategy. A detailed explanation on BIL's evolution on sustainability matters is to be found in BIL's Sustainability report.

8. REVIEW

The Bank will periodically review this Strategy to evaluate continued relevance, monitor compliance and drive continual improvement.