



SUSTAINABILITY STRATEGY

DECEMBER 2023

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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 initiatives 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 ESG Strategic Steering Committee covers all ESG projects at BIL and monitors the bank's ESG Program.
- The Towards Sustainability Platform 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, the UN Principles of Responsible Banking 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 through a dedicated ESG Program. Key objectives of the ESG Program are to centralize, monitor and deliver all ESG Bank initiatives while raising awareness around sustainability. **The ESG Strategic Steering Committee monitors the implementation of the ESG Program, to ensure global consistency and 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. the internal Product Governance Policy, the Sustainability Risk Policy) and in the **ESG Integration Framework** (<https://www.bil.com/sustainability/politiques-en.html>).

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:

1. **SUSTAINABLE GOVERNANCE & STRATEGY** = structure the organisation to address ESG challenges to support the bank’s long-term stability and growth.
2. **SUSTAINABLE PRODUCTS & SERVICES** = Develop responsible products and services that create value for our clients whilst supporting the global ecological and social transition
3. **RESPONSIBLE EMPLOYER** = Offer a safe and healthy work environment to enable our employees to develop their potential
4. **POSITIVE IMPACT** = Act for a positive impact on local economy and communities and prepare ground for future generations.



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 its exposure to environmental risks, BIL’s Risk management function is progressively integrating the management of climate related risks throughout the whole organization via its global risk framework.
- For the environmental impact, developing reliable and comprehensive corporate GHG footprint accounting is the first step in managing climate performance. In addition, the bank is gradually integrating 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 July 2022 BIL's Executive Committee was supported by the bank's Board in its ambition to become a "key transition facilitator". This mainly implies:

- Developing the green transition financing offer and advice to support our individual and corporate clients in their own transition journeys.
- Progressively adapt our ESG investment offer to guarantee a complete range of ESG or sustainable solutions.

As an important player in the Luxembourg economy and a signatory of the UN Principles of Responsible Banking, BIL supports Luxembourg's National Integrated Energy and Climate Plan (PNEC). The PNEC defines national climate objectives for the coming years, compatible with European Union targets.

Intermediate targets for the period up to 2030 include:

- a 55% reduction in greenhouse gas emissions compared with 2005, excluding the European Emissions Trading Scheme and LULUCF,
- achieve a 35-37% share of renewable energies in final consumption,
- improve energy efficiency by 44%,
- to reinforce targets for renewable energies and energy efficiency (ambitious deployment of wind power, solar power, heat pumps and electromobility).

The long-term objective is to achieve climate neutrality, or "zero net emissions" in Luxembourg by 2050 at the latest.

BIL supports the country's green transition by making efforts in its own operations and by encouraging its customers to reduce their emissions and invest sustainably. At the same time, we always seek to adopt an approach that considers the social aspects of our decisions. Indeed, it is also our role to contribute to societal well-being and contribute to economic growth and our challenge relies in finding the right balance between economic prosperity, social well-being and environmental health.

3. SUSTAINABLE GOVERNANCE & STRATEGY

The ESG strategy is completely integrated into the bank's ECT2025 corporate strategy and is therefore monitored by the Executive Committee and the Board of Directors/the Board Strategy Committee

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:

3.1. Define an ESG governance and monitor ESG objectives

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

To strengthen ESG Governance, a new ESG Strategic Steering Committee was created in January '23 to cover all ESG projects at BIL. The main objective was to further engage the business side of the bank to drive this transformation, not only from a regulatory perspective, but also from a commercial and strategic approach.

The Steering Committee, is composed of seven permanent members, all members of the Executive Committee (of which 4 are members of the Authorized Management (*)), and the Group Head of Sustainability:

- The Head of Strategy and Financial Markets
- The Credit Risk Officer (*)
- The Head of Wealth Management
- The Head of Luxembourg Market and CIB (*)
- The Head of People, Culture and Communication (*)
- The Chief Financial Officer (*)
- The Chief Compliance Officer

In addition, permanent invitees ensure that all program / business / control & support functions are represented, including the 3 Lines of defense.

This level of management ensures ESG Strategic plan management for BIL and BIL Group. The composition of the committee reflects the cross-disciplinary nature of the subject and ensures that all ESG-related aspects are taken into account, including commercial, regulatory and risk management aspects.

The ESG Steering Committee is sponsored by the Head of Strategy and Financial Markets and meets every 6 weeks to manage all initiatives.

The Committee is responsible for:

- Defining and implementing BIL's ESG strategy
- Monitoring regulatory compliance
- Assessing ESG risks and opportunities

A regular update of this steering committee is provided to the management bodies:

- A quarterly update is included in the ECT2025 dashboard and presented to the Executive Committee and the Board of Directors / Board Strategy Committee.
- In addition, the Head of Strategy and Financial Markets and the Head of Sustainability report regularly (quarterly) on the agenda and decisions of the ESG Strategy Committee to the Executive Committee and the Board of Directors, ensuring awareness and commitment at all levels of management. Ad hoc presentations are included on the agenda if deemed necessary, in addition to regular updates.

Governance is continuously reinforced to better reflect the cross-disciplinary nature of the topic and clear accountability at the highest levels. 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 to ensure global coherency of ESG initiatives launched within the group.

Initiatives linked to sustainable development and launched by entities must 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.

3.2. 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

3.3. 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. Specific ESG objectives have been set for all departments of the bank to ensure that ESG considerations are progressively embedded throughout the bank's daily operations.

Details on the progressive integration of ESG considerations in the bank's processes and activities can be found in the ESG Integration Framework (<https://www.bil.com/Documents/documentation-legale/ESG-Integration-framework.pdf>)

3.4. 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.

In accordance with the guidelines of the European Central Bank (ECB) and the European Banking Authority (EBA) through the ECB Climate and Environmental Risk Guide and the EBA Report on Management and Supervision of Environmental, Social and Governance Risks, the Risk Management function is gradually integrating the management of ESG risks throughout the whole organization via the following themes:

- Risk identification and materiality assessment
- Business model and strategy
- Risk appetite and governance
- Risk management framework
- Reporting

Details can be found in the bank's Risk Management Report, the Pillar 3 Report (<https://www.bil.com/en/bil-group/documentation/Pages/financial-reports.aspx>) as well as in the ESG Integration Framework (<https://www.bil.com/Documents/documentation-legale/ESG-Integration-framework.pdf>).

3.5. 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 Disclosure 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.
- **Markets in Financial Instruments Directive II (MiFID II):** the ESG updates to MiFID II have the objective of embedding sustainability preferences in product choices and integrating sustainability risks in the product governance.
- **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 reporting on what companies see as the risks and opportunities arising from social and environmental issues, and on the impact of their activities on people and the environment.

- **The EBA Guidelines 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.
- Finally, EBA is asking banks to disclose information on Climate risks and mitigating actions in place to address those risks. The **Implementing Technical Standards (ITS) on Pillar 3 disclosures** on ESG risks aim to have comparable quantitative disclosures on climate-change-related transition and physical risks. In addition, they include a Green Asset ratio (GAR), and Banking Book Taxonomy Alignment ratio (BTAR) to understand how institutions are financing activities that are environmentally sustainable according to the EU taxonomy.

4. SUSTAINABLE PRODUCTS AND SERVICES

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

4.1. 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 progressively identifying and managing exposure to various ESG risks and supporting the strategic commitments to sustainability.

For the environmental impact of its financing activities, developing reliable and comprehensive 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.

Since 2021 the bank annually measures its Financed emissions for its Credit and Bank Investment portfolios.

As for the impact of its investment products and services, BIL considers principal adverse impacts of its investment decisions on sustainability factors and discloses its principal adverse impacts in its Statement on principal adverse impacts of investment decisions on sustainability factors (<https://www.bil.com/Documents/documentation-legale/sustainability-factors-en.pdf>). Taking into account current operational and data difficulties, BIL has decided to not take into consideration principal adverse impacts of (i) insurance advice and (ii) investment advice on sustainability factors at entity-level, as there is still a very limited number of assets allowing to fully measure and take into consideration principal adverse impacts as intended by regulations.

Finally, EBA is asking banks to disclose information on Climate risks and mitigating actions in place to address those risks. The Implementing Technical Standards (ITS) on Pillar 3 disclosures on ESG risks aim to have comparable quantitative disclosures on climate-change-related transition and physical risks. In addition, they include a Green Asset ratio (GAR), and Banking

Book Taxonomy Alignment ratio (BTAR) to understand how institutions are financing activities that are environmentally sustainable according to the EU Taxonomy.

The bank will progressively integrate tools and methodologies to fine-tune its impact assessments and improve the data quality of these measures.

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

Based on the impact analysis, BIL has, since 2022, taken measures and initiatives to reduce its negative impacts.

With regard to its lending activities, BIL has integrated ESG considerations in its Credit Risk Appetite to limit exposure to high-risk sectors.

As for its investment activities, the bank's approach is disclosed through its Sustainability Risk Policy.

First ESG targets have been set in 2023 in relation to its ESG product offering. These targets enable the bank to better manage ESG risks and exploit opportunities through high-level engagement. Details of targets and related initiatives can be found in the Bank's Sustainability Report (<https://www.bil.com/sustainability/rapports-en.html>).

4.3. Identify client ESG preferences

In line with European regulation, BIL collects, since August 2022, the sustainability preferences of its clients.

BIL has created a specific questionnaire to collect client sustainability preferences and revised the suitability process including ESG information that permits clients to be advised whilst taking into account their preferences. The degree to which client's preferences are considered will change over time as the market matures and the range of responsible products offered by the bank expands.

4.4. 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. Details of the bank's sustainable finance initiatives and ESG offering can be found in its Sustainability Report.

4.5. 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.

4.6. 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 regularly proposes client webinars and various educational contents via its Marketing platforms and Marketing campaigns.

5. 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:

5.1. Ensure employee health and well-being, 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.

5.2. 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

In 2023, the Bank set concrete targets and developed a Diversity programme to achieve them.

5.3. 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.

5.4. 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 decision and actions.

For more details on BIL's commitments towards its Responsible Employer Pillar, please refer to the **Responsible Employer Policy** and to its Sustainability report.

6. 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:

6.1. 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.

6.2. Launch local impact initiatives on priority SDGs

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 are beneficia to business, the country and society.

6.3. 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.

Details on how the bank addresses these commitments and on what initiatives are launched to achieve these can be found in the bank's Sustainability Report.

7. METHODOLOGY

BIL's priority areas are identified through the regular conducting of stakeholder engagement plans. The latest plan was conducted in 2023.

The engagement plan includes several steps:

- Stakeholder mapping: BIL mapped and prioritized stakeholder groups based on their level of dependence on, and influence exerted upon the Bank.
- Identification of material themes: 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. BIL then completed the list through internal discussions with ESG experts.
- Stakeholder engagement: BIL engaged stakeholder groups such as shareholders, Boards of Directors, customers and employees, NGO's and suppliers.
- Analysis and materiality matrix creation: BIL consolidated the materiality matrix and validated the 16 materiality issues with their respective materiality.

8. 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

9. GOVERNANCE

Please refer to chapter 3.1 for detailed ESG 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 clients 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.

10. 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 has a dedicated ESG Program.

Key objectives of the Program are to centralize, monitor and deliver all ESG Bank initiatives while raising awareness around sustainability.

The scope of the Program is organized around 3 main axes:

- **ESG Strategy & Governance**: this implies ESG target setting, strategy discussions around an ESG strategy (with first focus on climate), client engagement approaches and integration of ESG aspects in business model and strategy, as expected by the regulator.
- **ESG within our products and services**: as financial intermediary, BIL plays a crucial role in transforming corporate models, by integrating ESG consideration in the financial instruments and solutions offered to our clients and therefore contribute towards the transition through the investments offered to clients and the projects the bank is financing. Our objective is two-fold: identify material ESG risks to which our customers are exposed as well as identifying growth opportunities in line with our business ambition to become a key transition facilitator.
- **ESG at Corporate level**: including all projects that involve the integration of ESG factors into the bank's processes or activities without direct impact on our customers, as well as the more "traditional" CSR initiatives (donations & community support, social & environmental impact)

The ESG Strategic Steering Committee monitors the implementation of the ESG Program.

The Committee **does not interfere with existing governance bodies** and ensures that decisions are submitted to the appropriate governance body (e.g. New product Committee, Green Bond Committee...).

11. 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.

12. REVIEW

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