

SUSTAINABLE BOND FRAMEWORK

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THE GOVERNMENT
OF THE GRAND DUCHY OF LUXEMBOURG
Luxembourg State Treasury

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1. INTRODUCTION

The Grand Duchy of Luxembourg has long placed sustainable development at the heart of its public policy. As a small, open, and highly interconnected economy, Luxembourg has consistently sought to translate its multilateral commitments – including the UN 2030 Agenda and the Paris Agreement – into concrete domestic action, recognising that environmental stewardship, social inclusion, and economic resilience are mutually reinforcing rather than competing objectives.

This commitment extends beyond policy – to finance. Luxembourg has established itself as one of the world's leading centres for sustainable finance, combining a robust regulatory environment with a longstanding culture of financial innovation in service of sustainability. As of the end of 2025, the Grand Duchy of Luxembourg remained the leading domicile for European sustainable public market funds, accounting for 31% of the total sustainable public market funds Assets under Management (AuM) in Europe. Similarly, the Grand Duchy of Luxembourg remains the leading domicile for European sustainable private market funds, representing 77% of total AuM.¹ The Luxembourg Stock Exchange hosts the Luxembourg Green Exchange (LGX), the world's first and leading platform dedicated exclusively to sustainable securities, while the country was the first in the world to establish a legal framework for sovereign sustainability bonds and among the first to issue a sovereign sustainability bond in the euro area.

In channelling private capital towards sustainable outcomes at scale, Luxembourg's financial centre plays a role that extends well beyond its borders, amplifying the impact of the country's domestic sustainability ambitions on a global stage.

1.1 The Grand Duchy of Luxembourg's Sustainability Policies and Ambition

Agenda 2030, the reference framework for the Grand Duchy of Luxembourg

In line with the commitments undertaken under the Paris Agreement, which led to the development of the United Nations 2030 Agenda, the Grand Duchy of Luxembourg has embarked on a broad-based transition across multiple sectors to advance concrete progress toward the Sustainable Development Goals (SDGs).

Since 2019, this agenda has provided the strategic framework for the third National Plan for Sustainable Development² (PNDD), titled '*Luxembourg 2030*', which encompasses the policies and measures implemented by all ministries and public administrations.

The plan lists ten priority fields of action:

1. Ensure social inclusion and education for all,
2. Ensure conditions for a healthy population,
3. Promote sustainable consumption and production,

¹ [Sustainable Finance in Europe and Luxembourg 2025](#)

² https://environnement.public.lu/dam-assets/fr/developpement_durable/publications/PNDD-2021-Light-final.pdf

4. Diversify and ensure an inclusive and future-oriented economy,
5. Plan and coordinate land use,
6. Ensure sustainable mobility,
7. Stop the degradation of our environment and respect the capacities of natural resources,
8. Protect the climate, adapt to climate change and ensure sustainable energy,
9. Contribute, on a global level, to the eradication of poverty and to the coherence of policies for sustainable development,
10. Guarantee sustainable finances.

According to the country's Agenda 2030 implementation report, Luxembourg achieved a sustainability progress index of 70 out of 100, with seven of its sixteen quantified national targets met or exceeded. Key advances include near gender pay parity, official development aid maintained at 1% of gross national income, greenhouse gas emissions reduced by 32.4% relative to 2005, and renewable energy capacity growing exponentially. On the social front, additional reforms to income support, parental leave, and affordable housing have strengthened the foundations of social cohesion.

Successive government programmes have consistently reaffirmed sustainable development as a cornerstone of the Grand Duchy of Luxembourg's policy agenda, both domestically and internationally. In doing so, they have given political continuity to a shared set of priorities, - spanning green public investment, affordable housing, social inclusion, the energy transition, and sustainable finance -, that are closely aligned with the goals of the UN 2030 Agenda and with the Grand Duchy of Luxembourg's broader international commitments.

Climate law and NECP

The Grand Duchy of Luxembourg is committed to national climate change mitigation, in line with the Paris Agreement. The Climate Law of 2020 and the “*Integrated National Energy and Climate Plan*”³ (the “NECP”) together constitute the legislative and strategic backbone of the Grand Duchy of Luxembourg's climate policy, setting binding emissions reduction pathways and the sectoral measures required to achieve them within the broader trajectory towards climate neutrality by 2050.

Through the 2020 Climate law, the Grand Duchy of Luxembourg acknowledges the need for stronger environmental protection efforts and sets the objective of reducing greenhouse gas emissions. The Climate law serves as a roadmap outlining the measures and policies required to achieve national targets across the following five sectors:

- Energy industries and manufacturing, construction,
- Transport,
- Residential and tertiary buildings,
- Agriculture and forestry,
- Waste and wastewater treatment.

It also establishes the framework for implementing the NECP for the period 2021–2030.

The NECP defines the Grand Duchy of Luxembourg's climate and energy objectives for 2030, as well as the policies and measures needed to achieve them. It is implemented within the five sectors defined by the Climate Law and results from a collaborative effort across the relevant ministries and public administrations, coordinated by the Ministry of the Environment, Climate and Biodiversity and the Ministry of the Economy.

³ <https://gouvernement.lu/fr/dossiers/2023/2023-pnec.html>

Its key objectives are as follows:

- Reduce greenhouse gas emissions by 55% by 2030 compared to 2005 levels, and achieve climate neutrality by 2050,
- Improve energy efficiency by 42% by 2030,
- Increase the share of renewable energies in gross final energy consumption from 25% in 2020 to 37% by 2030.

Substantial investments are planned under the NECP for the 2026–2029 period, with decarbonisation being clearly prioritised. In 2026, total expenditures allocated to the NECP are expected to reach EUR 3.2 billion, rising steadily to EUR 3.5 billion by 2029. This increase reflects the Grand Duchy of Luxembourg's growing commitment to the energy transition and to addressing the challenges posed by climate change.

The Government's strategic direction is guided by the 2023–2028 Coalition Agreement, as well as by its International Climate Finance Strategies 2021–2025 and 2026–2030, and the transposition and implementation of the European regulatory and legislative framework in the fields of environment and climate.

The Grand Duchy of Luxembourg's social policy

The Government's social priorities, as set out in the Coalition Agreement 2023–2028, centre on strengthening social cohesion through the active combating of poverty and exclusion, improving access to healthcare and education, and addressing the shortage of affordable housing. The Coalition Agreement explicitly recognises that precariousness remains a topical issue and commits to pursuing policies to support low-income households and people at risk of social exclusion.

In practice, this has translated into a reinforced welfare system, including increases to the cost-of-living allowance and the social inclusion income, and the introduction of automatic benefit payments to combat non-use of social benefits. On housing, the Government committed to investing at scale in affordable public housing, mobilising public and municipal land reserves and launching a public effort in partnership with private sector actors, supported by the *Pacte Logement 2.0* and a dedicated State acquisition programme. In the areas of health and education, the Grand Duchy of Luxembourg has maintained strong population health indicators and a near-universal national certification rate, while a reformed primary school curriculum entering into force in 2026–2027 will embed sustainability, digital skills, and civic participation as core pillars of learning.

1.2 Rationale for Sustainable Bonds Issuance and Framework Update

The Grand Duchy of Luxembourg has firmly established itself as a global leader in sustainable finance, underpinned by the rapid expansion of environmental, social, and governance (ESG) and impact investments, and a strong commitment to integrating sustainability factors into financial decision-making.

The Grand Duchy of Luxembourg has played a pioneering role on the international level by becoming the first European country – and the first AAA-rated sovereign worldwide – to establish a Sustainability Bond Framework and to issue a sovereign sustainability bond. In September 2020, the country successfully launched its inaugural EUR 1.5 billion Sustainability Bond, marking a significant milestone in sovereign sustainable finance.

The framework itself was groundbreaking. At the time of publication, it met the highest market standards and became the first in the world to comply with the recommendations of the European Taxonomy for green financing. Notably, it demonstrated full compliance with the substantial contribution criteria for the EU Taxonomy's Climate Change Mitigation objective. This initiative forms part of the broader efforts pursued by the Luxembourg Government in recent years to solidify the country's leadership in sustainable finance.

The updated version of the framework (the “Sustainable Bond Framework” or “Framework”), dated October 2026, reflects current market standards as well as the Grand Duchy of Luxembourg's evolving sustainability strategy and growing climate ambitions, as outlined in its national energy and climate policies and the ongoing updates to its integrated planning towards 2030.

It also reflects the outcome of a continued enhancement of the processes used to identify, select, report, and analyse State budget expenditures with a positive environmental or social impact. In this regard, the Framework strengthens governance and provides a more detailed and comprehensive definition of eligible expenditure categories, thereby improving transparency and ensuring sustained alignment with best practices in sustainable finance.

Accordingly, through this updated Framework, the Grand Duchy of Luxembourg reaffirms its commitment to mobilising and directing resources towards sustainable development, enhancing transparency, and aligning public finances with long-term climate and environmental objectives.

2. SUSTAINABLE BOND FRAMEWORK

2.1 Use of Proceeds

An amount equal to the net proceeds of the Grand Duchy of Luxembourg's Green, Social and/or Sustainability Bonds (together the "Sustainable Bonds") issued under this Framework is intended to finance or refinance, in whole or in part, expenditures drawn from the State's general budget that fall within one of the green or social categories and comply with the eligibility criteria presented in the below table ("Eligible Expenditures").

The Grand Duchy of Luxembourg may issue 3 types of bonds: Green Bonds, Social Bonds and Sustainability Bonds, depending on the selected underlying assets to be (re)financed.

The Grand Duchy of Luxembourg might also issue Sustainable Bonds with proceeds to be fully allocated to one specific Eligible Green or Social Expenditures

category, thus promoting a dedicated theme. Such thematic bonds will be marketed as such before issuance and a sub-portfolio of Eligible Green or Social Expenditures under the targeted category will be identified within the allocation reports.

In accordance with the law of 8 June 1999, only capital expenditures may be used to support public bond issuances, except in the event of exceptional circumstances leading to an amendment of the law. As a result, eligible expenditures exclude subsidies, tax incentives, operational costs, and any other type of current expenditure ("dépenses courantes").

The Sustainable Bond Framework has been developed in accordance with the following internationally recognised standards:

The Framework of the Grand Duchy of Luxembourg is structured in accordance with the voluntary guidelines of the International Capital Market Association (ICMA), namely:

- the 2025 Green Bond Principles (GBP)⁴,
- the 2025 Social Bond Principles (SBP)⁵, and
- the 2021 version of the Sustainability Bond Guidelines⁶ (together "the Principles").

The Framework follows the four core components common to these Principles:

1. Use of Proceeds
2. Process for project evaluation & selection
3. Management of Proceeds
4. Reporting.

4 ICMA [Green Bond Principles](#)

5 ICMA [Social Bond Principles](#)

6 ICMA [Sustainability Bond Guidelines](#)

With regard to the compliance of eligible green expenditures with the EU Taxonomy, the eligibility criteria used by the Grand Duchy of Luxembourg correspond fully to the Substantial Contribution criteria (SCC) of the EU Taxonomy Regulation⁷ for the economic activities identified in the “Eligible Green Categories” table presented below.

In addition, the Do No Significant Harm (DNSH) criteria are also considered on a best-effort basis and where feasible.

Compliance with the Minimum Safeguards (MS) of the EU Taxonomy is ensured through the Grand Duchy of Luxembourg’s regulations and enforcement regimes (including its adherence to EU regulations and directives) as well as through adherence to international standards.

2.1.1 Eligible Green Expenditures

Green Buildings	
Description & eligibility criteria	The (re)financing of expenditures related to: (i) Construction of new buildings and acquisition of buildings: • Buildings built before 31 December 2020 with Energy Performance Certificate label “A” or belonging to the top 15% of the existing local stock in terms of operational Primary Energy Demand, expressed as kWh/m2y. • Buildings built after 31 December 2020: - with a primary energy demand at least 10% lower than the one resulting from the NZEB and, - where efficient building operations is ensured through dedicated energy management⁸. (ii) Renovation of existing buildings⁹ including: • Major renovations¹⁰: The renovation is compliant with the requirements set in the applicable building regulations for ‘major renovation’ transposing the Energy Performance of Buildings Directive (EPBD), meeting cost-optimal minimum energy performance requirements in accordance with the EPBD. Alternatively, it leads to a reduction of primary energy demand (PED) of at least 30%.
	Environmental objective and mapping of economic activities according to the EU Taxonomy Regulation Climate Change Mitigation 7.1 Construction of new buildings 7.2 Renovation of existing buildings 7.7. Acquisition and ownership of buildings
Contribution to SDGs	
  	

⁷ EU Taxonomy Delegated Act for Climate Change Mitigation and Adaptation: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32021R2139> and for non-climate environmental objectives: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202302486

⁸ Applicable to non-residential buildings only

⁹ Besides the energy performance criteria above, it is to be noted that expenditures related to the renovation of existing buildings will be considered eligible only when all relevant new water appliances are in the top 2 classes for water consumption of the EU Water Label

¹⁰ Renovation of a building where: (a) the total cost of the renovation relating to the building envelope or the technical building systems is higher than 25% of the value of the building, excluding the value of the land upon which the building is situated; or (b) more than 25% of the surface of the building envelope undergoes renovation.

Renewable Energy	
Description & eligibility criteria	The (re)financing of expenditures related to: (i) the construction and operation of electricity generation facilities that produce electricity from: • Solar PV, • Wind power, • Hydropower (including pumped-storage facilities), • Bioenergy when: Facilities operate above 80% of GHG emissions-reduction in relation to the relative fossil fuel comparator set out in RED II increasing to 100% by 2050, or Facilities use feedstocks from anaerobic digestion of biowaste or sewage sludge or advanced feedstocks as defined by EU Directive 2018/2001, • Hydrogen production, storage and distribution infrastructure. (ii) Electricity distribution and transmission infrastructure and equipment within the interconnected European system, i. e. the interconnected control areas of Member States, Norway, Switzerland and the United Kingdom, and its subordinated systems.
	Climate Change Mitigation 4.1. Electricity generation using solar photovoltaic technology 4.3. Electricity generation from wind power 4.5. Electricity generation from hydropower 4.8. Electricity generation from bioenergy 4.9. Transmission and distribution of electricity 4.10 Storage of electricity 3.10 Manufacture of hydrogen 4.12 Storage of hydrogen
Environmental objective and mapping of economic activities according to the EU Taxonomy Regulation	
Contribution to SDGs	 

Clean Transportation

Description & eligibility criteria

The (re)financing of expenditures related to low carbon transportation including:

(i) Public transport:

- Zero direct emissions land transport activities (e.g. light rail transit, metro, tram, trolleybus, bus and rail).

(ii) Infrastructure for low carbon transport¹¹:

- Infrastructure required for zero direct emissions transport (e.g. electric charging points, electricity grid connection upgrades, hydrogen fueling stations or electric highways).
- Infrastructure and equipment (including fleets) for active mobility (walking, cycling, e-bikes and e-scooters).
- Expansion and maintenance of infrastructure for electrified rail transport.

Environmental objective and mapping of economic activities according to the EU Taxonomy Regulation

Climate Change Mitigation

6.1. Passenger interurban rail transport

6.3. Urban and suburban transport, road passenger transport

6.13. Infrastructure for personal mobility, cycle logistics

6.14. Infrastructure for rail transport

6.15. Infrastructure enabling low carbon road transport and public transport

Contribution to SDGs



Environmentally sustainable Management of living natural Resources and Land use

Description & eligibility criteria

The (re)financing of expenditures related to the protection and restoration of terrestrial and inland freshwater ecosystems, biodiversity, habitats and soil and their services.

Environmental objectives, mapping of economic activities and alignment according to the EU Taxonomy

Protection and restoration of biodiversity and ecosystems

1.1 Conservation, including restoration, of habitats, ecosystems and species

Contribution to SDGs



¹¹ Only infrastructure that is fundamental to the operation of the transport service will be considered. No investments will be used to finance or refinance infrastructure dedicated to the transport of fossil fuels or blended fossil fuels.

Water and Wastewater Management

Description & eligibility criteria

The (re)financing of expenditures aiming to:

(i) support the development of energy efficient water and wastewater management including:

- Construction, extension and operation of water collection, treatment and supply systems,
- Development of water and wastewater systems allowing to significantly improve energy efficiency in one of the following ways: (1) by decreasing the average energy consumption of the system by at least 20% (including abstraction, treatment and distribution), or (2) by closing the gap between the actual leakage of the water supply network and a given target value of low leakage by at least 20%,
- Construction or extension of centralized wastewater treatment (including collection and treatment plants) with increased efficiency.

(ii) support the development of water and wastewater treatments systems allowing to significantly improve water quality. In addition, the wastewater treatment uses the best available techniques.

Environmental objectives, mapping of economic activities and alignment according to the EU Taxonomy

Climate Change Mitigation

- 5.1. Construction, extension and operation of water collection, treatment and supply systems
- 5.2. Renewal of water collection, treatment and supply systems
- 5.3. Construction, extension and operation of wastewater collection and treatment
- 5.4. Renewal of wastewater collection and treatment

Contribution to SDGs



Climate Change Adaptation

Description & eligibility criteria

The (re)financing of expenditures and investments aimed at enhancing climate resilience and reducing vulnerability to the adverse impacts of climate change, including extreme weather events (such as floods, heatwaves, droughts and storms). Eligible expenditures include, but are not limited to:

- Infrastructure and technologies supporting flood prevention,
- Construction or maintenance of water retention infrastructure (e.g. stormwater basins, retention pipelines).

Environmental objectives, mapping of economic activities and alignment according to the EU Taxonomy

Climate Change Adaptation

- 5.1. Construction, extension and operation of water collection, treatment and supply systems
- 5.2. Renewal of water collection, treatment and supply systems

Contribution to SDGs



2.1.2 Eligible Social Expenditures

Access to Essential Services – Education	
Description & eligibility criteria	Provide access to essential educational infrastructure and services for all by: - Increasing capacity in the education sector by constructing or expanding educational capacities, - Improving the quality of existing infrastructure and facilities for public secondary and higher education. Eligible schools include Public schools and Private schools with annual tuition fees below EUR 600.
Target population	All Luxembourg population, including but not limited to pre-school children, schoolchildren, students
Contribution to SDGs	
Social benefit	Reduce social education inequalities Foster equal access to essential education services
Access to Essential Services – Healthcare	
Description & eligibility criteria	Provide access to essential healthcare infrastructure and services for all by: - Strengthening healthcare capacity by constructing, expanding healthcare infrastructure, - Improving the quality of existing health infrastructure and medical equipment, - Acquiring medical equipment, - Supporting projects dedicated to research and development in the field of health.
Target population	All Luxembourg population
Contribution to SDGs	
Social benefit	Reduce social health inequalities and foster equal access to essential healthcare services

Access to Essential Services – Social Inclusion

Description & eligibility criteria

Provide access to essential services for population groups at risk of social exclusion by providing access to essential infrastructure and services to vulnerable population, including but not limited to:

- Construction, extension, refurbishment of public child or elder care facilities; facilities for people with disabilities; refugees reception centres,
- Implementation of services and projects to promote the inclusion of persons with disabilities, older adults, and foreign nationals, such as the construction and renovation of reception facilities, and the provision of care for older adults.

Target population

Vulnerable population groups including but not limited to:

- low-income population
- young people
- elderly people
- people with disabilities
- single parent families
- asylum seekers or refugees

Contribution to SDGs



Social benefit

Reduce social exclusions and inequalities and strengthen social cohesion and solidarity

Affordable Housing

Description & eligibility criteria

Provide access to affordable housing to vulnerable population by:

- Extending the affordable housing supply, including through the acquisition of assets,
- Improving the quality of the existing affordable housing facilities,
- Providing financial assistance to facilitate access to housing and ownership.

Affordable housing target populations and associated housing requirements are established by the government. The current eligibility criteria for obtaining affordable housing are set out in Article 55 of the law of 7 August 2023.

Target population

Disadvantaged populations at risk of housing exclusion, including:

- Low-income population (eligibility criteria defined by the government according to annual revenue)
- People living without adequate housing
- Household in position of insecurity and exclusion

Contribution to SDGs



Social objective

Reduce housing exclusion and inequalities

2.1.3 Exclusion Criteria

- Expenditures from budgets older than three calendar years from the year of issuance of the Bond.
- Expenditures already financed via a dedicated sustainable funding source, in order to avoid any “double counting”¹².
- Expenditures that would contravene the law of June 8, 1999 on the Budget, Accounting and Treasury¹³.
- Expenditures in the following sectors:
 - exploration, manufacturing and transport of fossil fuels;
 - nuclear energy;
 - manufacturing and production of alcoholic beverages;
 - military contracts;
 - gambling;
 - arms manufacturing;
 - manufacture and production of tobacco products.

2.2 Process for Evaluation and Selection

2.2.1 Governance and process for the evaluation and selection of the eligible expenditures

The Grand Duchy of Luxembourg has established dedicated processes to select and monitor eligible green and social expenditures.

Since the publication of the inaugural Sustainability Bond Framework in 2020, a Sustainable Bond Committee (the “Sustainable Bond Committee” or “the Committee”) has been established and is fully operational under the coordination of the Luxembourg State Treasury. The Committee will continue to carry out its roles and responsibilities under this updated Sustainable Bond Framework.

The members of the Sustainable Bond Committee are:

- The State Treasury (chair),
- The Ministry of Finance,
- The Inspectorate of Finance.

The Sustainable Bond Committee meets at least once a year and on a case-by-case basis, as deemed necessary. All other Luxembourg ministries, such as the Ministry for the Environment, Climate and Biodiversity; the Ministry of Health and Social Security; the Ministry of Housing and Spatial Planning; the Ministry of Education, Children and Youth; etc. would be invited to the Sustainable Bond Committee meetings on a case-by-case basis. The

ministries responsible for relevant expenditures are closely involved in this selection process.

The Sustainable Bond Committee identifies a set of potential expenditures already foreseen in the multiannual budget and based on bilateral interactions with the relevant ministries. This preliminary list of projects is subject to an in-depth analysis to assess their alignment with the criteria set out in this Framework. The eligible expenditures are ultimately selected and approved by the Sustainable Bond Committee, which determines their final composition and total amount.

Following selection, the traceability and monitoring of the expenditures are ensured by the Sustainable Bond Committee, whose responsibilities also include:

- The selection of eligible expenditures to be included in the Sustainable Bonds,
- The approval of the eligible expenditures to be included in the Sustainable Bonds,
- The removal and/ or replacement of any expenditures that no longer comply with the Framework,
- The review of the allocation of the proceeds of the issued Sustainable Bonds,
- The validation of the Allocation and Impact reports of the Sustainable Bonds,
- The maintenance and update of the Framework, if necessary.

¹² Consequently, only expenditures net of EU grants, loans, or other revenues earmarked for specific purposes are eligible

¹³ <http://legilux.public.lu/eli/etat/leg/loi/1999/06/08/n2/jo>

2.2.2 Environmental and social regulatory framework

The programmes and projects financed by the eligible expenditures under the Grand Duchy of Luxembourg's Sustainable Bonds must comply with the applicable legal framework. Adverse impacts on environmental and social objectives are prevented or minimised by applicable European and national legislation, standards for climate, environmental and nature protection, and social safeguards.

Environmental Risks Mitigation

The following existing legislation seeks to mitigate adverse environmental effects:

- The Law of 18 July 2018 on the protection of nature and natural resources¹⁴ states that prior to any project authorization from the competent minister, relevant measures have to be put in place in order to guarantee the protection of nature and natural resources.
- The Law of 19 December 2008 on water resources¹⁵ states that prior to any project authorization of the competent minister, relevant measures have to be put in place in order to guarantee national water protection.
- In addition, the modified law of 10th June 1999¹⁶ establishes environmental criteria for projects, including the continuous application of the best available techniques.

Further, the Grand Duchy of Luxembourg considers the Do No Significant Harm ("DNSH") criteria, on a best effort basis.

Social Risks Mitigation

It is intended that all Eligible Expenditures financed under this Framework adhere to internationally recognised standards, including the UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises, as well as applicable national laws and regulations. As such, eligible expenditures are selected to ensure consistency with the minimum safeguards as defined in Article 18 of the EU Taxonomy.

Under the Grand Duchy of Luxembourg's Labour code¹⁷, the employer is obliged to ensure the safety and health of employees in all aspects related to work, including occupational risk prevention, information and training activities, as well as the establishment of the necessary organization and resources.

The Labour Code also includes a comprehensive set of articles safeguarding every worker's rights and has the aim of promoting the integration of job seekers and the preservation of employment through creating more and better jobs.

In addition, the Grand Duchy of Luxembourg's regulation on the rights and obligations of health care patients¹⁸ specifically mentions the access to health care services for every patient, whether publicly / privately insured or not, thus creating an inclusive health care system. Concerning subsidized housing, all beneficiaries, whether they are buyers or tenants, have to meet specific socio-economic criteria¹⁹.

¹⁴ <http://legilux.public.lu/eli/etat/leg/loi/2018/07/18/a771/jo>

¹⁵ <http://eli.legilux.public.lu/eli/etat/leg/loi/2008/12/19/n17/jo>

¹⁶ <http://legilux.public.lu/eli/etat/leg/loi/1999/06/10/n5/jo>

¹⁷ <http://data.legilux.public.lu/file/eli-etat-leg-code-travail-20200313-fr-pdf.pdf>

¹⁸ <http://data.legilux.public.lu/file/eli-etat-leg-memorial-2014-140-fr-pdf.pdf>

¹⁹ <https://legilux.public.lu/eli/etat/leg/loi/2023/08/07/a611/jo>: Article 7 for applicants seeking to purchase affordable housing; Articles 55 and 57 for applicants seeking affordable rental housing.

2.3 Management of Proceeds

In accordance with the evaluation and selection process described above, an amount at least equivalent to the Sustainable Bonds' net proceeds will be allocated to eligible expenditures and managed and tracked on a bond-by-bond approach by the State Treasury.

Net proceeds are allocated to the financing of expenditures from the issuance calendar year and refinancing of expenditures incurred, on a best-efforts basis, within the two calendar years prior to issuance, and in any case no more than three calendar years prior to issuance.

When available, the estimated share of financing and refinancing will be communicated by the Grand Duchy of Luxembourg prior to each public issuance.

Pending full allocation, the net proceeds of the

Sustainable Bond issued will be managed by the State Treasury in accordance with the Grand Duchy of Luxembourg's regulatory framework and treasury policies.

The Grand Duchy of Luxembourg intends to allocate the proceeds of the Sustainable Bonds at the earliest convenience and in any case commits on a best-effort basis to reach full allocation within two years of the Sustainable Bond issuance.

In the event where some expenditures would be withdrawn from the portfolio of eligible expenditures²⁰, the Grand Duchy of Luxembourg will reallocate on a best-effort basis the proceeds to other eligible expenditures which are compliant with the Eligibility Criteria, as soon as reasonably practicable.

2.4 Reporting

For all issuances under this Framework, the Grand Duchy of Luxembourg intends to produce an allocation report (the "Allocation Report") as well as an impact report (the "Impact Report") at least annually until full allocation of the Sustainable Bonds.

- The share of financing compared to refinancing,
- When available, the share of the allocated proceeds that is aligned with the EU Taxonomy SCC, MS and / or DNSH,
- Qualitative case studies.

2.4.1 Allocation report

The Grand Duchy of Luxembourg will publish an Allocation Report aiming to provide transparent information on the allocation of proceeds towards eligible expenditures, including:

- An overview of the allocated proceeds,
- The breakdown of allocated proceeds by eligible categories,
- The amount of unallocated proceeds at the reporting end-period (if any),

2.4.2 Impact report

The Grand Duchy of Luxembourg will publish an Impact Report aiming to provide transparent information on the environmental and/or social impacts of the allocated proceeds.

On a best-effort basis, the reporting intends to align with the recommendations of the ICMA Handbook "Harmonised Framework for Impact Reporting" for both Green Projects²¹ and Social Projects²².

The issuer will endeavor to report on relevant impact metrics, which may include:

²⁰ In case of budgetary adjustments, delayed disbursements, or in the event where identified expenditure would cease to fulfil the eligibility criteria

²¹ ICMA Harmonised Framework for Impact Reporting for Green Projects: <https://www.icmagroup.org/assets/documents/Sustainable-finance/2024-updates/Handbook-Harmonised-Framework-for-Impact-Reporting-June-2024.pdf>

²² ICMA Harmonised Framework for Impact Reporting for Social Projects: <https://www.icmagroup.org/assets/documents/Sustainable-finance/2025-updates/Handbook-Harmonised-Framework-for-Impact-Reporting-for-Social-Bonds-June-2025.pdf>

Green categories	Examples of impact metrics
Green buildings	• Estimated ex-ante annual energy savings (in MWh) • Annual GHG emissions in tons of CO₂ equivalent saved
Renewable energy	• Renewable Energy Capacity (in MW) • Estimated ex-ante annual energy savings (in MWh) • Estimated annual GHG emissions reduced/avoided (in tons of CO₂ equivalent)
Clean transportation	• Number of low carbon vehicles deployed by type of transport (e.g number of trains/trams) • Number of users served • Other relevant indicators depending on the considered projects
Environmentally sustainable management of living natural resources and land use	• Surface of protected or restored areas • Other relevant indicators depending on the considered projects
Water and wastewater management	• Volume of water collected and disposed or treated (m³) • Number of users served • Other relevant indicators depending on the considered projects
Climate change adaptation	• Number of newly built or upgraded infrastructure to adapt to climate change • Areas where flood risks are reduced (ha)

Social categories	Example of impact metrics
Access to essential services – education	• Number of education infrastructures benefiting from the eligible expenditures, including a breakdown by type of infrastructures (schools, universities...) • Capacity / additional capacity (in number of students)
Access to essential services – healthcare	• Number of healthcare infrastructures benefiting from the eligible expenditures, including a breakdown by location • Capacity / additional capacity (in number of beds and /or patients)
Access to essential services – social inclusion	• Number of social inclusion infrastructures (care home for the elderly, for reception center for homeless people, ...) benefiting from the eligible expenditures, including a breakdown by type of infrastructures • Capacity / additional capacity (in number of beneficiaries)
Affordable housing	• Number of dwellings • Number of beneficiaries • When available, additional information may be provided regarding the energy performance of eligible buildings

2.5 External Reviews

Second-Party Opinion

Prior to the publication of this Framework, the Grand Duchy of Luxembourg has commissioned Sustainable Fitch to conduct an external review of this Sustainable Bond Framework and issue a Second Party Opinion on the Framework's environmental and social credentials and its alignment with the Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines.

The Second Party Opinion is available on the third-party website as well as on the Luxembourg Treasury's website.

External Review

The Grand Duchy of Luxembourg will appoint an independent external reviewer to provide an annual report review, until all the proceeds of the Sustainable Bonds have been allocated, confirming that an amount equal to the net proceeds of the Bonds have been allocated in compliance with the criteria and objectives set out above in section 2.1 Use of Proceeds.

Disclaimer

This Framework for the sustainable bonds issued by the Grand Duchy of Luxembourg (the "Bonds") is provided for information purposes only and does not constitute and should not be construed as, an offer or invitation to sell, or the solicitation of an offer to buy, any Bonds.

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Furthermore, no assurance can be given that the use of proceeds from the Bonds will meet the current or future expectations or requirements of potential investors, or current or future legal, regulatory or market standards relating to environmental, social or sustainability matters, sustainable finance or sustainable investment criteria.

In the event of any inconsistency between this Framework and the offering documentation relating to the Bonds, the latter shall prevail.



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