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## GRAND DUCHY OF LUXEMBOURG

EUR 1.5bn 0% 12-Year Inaugural Sustainable Benchmark

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PRESS RELEASE - Monday, the 7<sup>th</sup> of September 2020

### Transaction Terms

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<b>Issuer</b>	Grand Duchy of Luxembourg
<b>Rating</b>	Aaa / AAA / AAA (all stable)
<b>ISIN</b>	LU2228213398
<b>Size</b>	EUR 1.5 Bn
<b>Use of Proceeds</b>	Intended to finance and/or refinance eligible expenditures falling within both "Eligible Green Categories" and "Eligible Social Categories", as described under the Sustainability Bond Framework
<b>Pricing Date</b>	07 September 2020
<b>Settlement Date</b>	14 September 2020
<b>Maturity Date</b>	14 September 2032
<b>Coupon</b>	0%
<b>Spread to Mid-Swaps</b>	-1 bps
<b>Re-offer Yield</b>	-0.123%
<b>Re-offer Price</b>	101.488%
<b>Spread vs Bunds</b>	34.9 bps
<b>Sustainability Structuring Agent</b>	Société Générale
<b>Lead Managers</b>	BCEE, BGL BNP Paribas, BIL, Deutsche Bank and Société Générale

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### Transaction Summary

- On Wednesday Sept 2<sup>nd</sup> 2020, the Grand Duchy of Luxembourg, rated Aaa / AAA / AAA (all stable) announced its intention to launch its inaugural Sustainable Benchmark. For this purpose, the Grand Duchy set up its Sustainability Bond Framework, which enables the issuance of green, social or sustainable bonds (combining both green and social aspects).
- The Framework is a continuation of Luxembourg's Sustainable policies:
  - *Luxembourg 2030: National Plan for Sustainable Development*, implementing the 17 UN SDGs
  - The *Climate Law*, mainly targeting a reduction of GHG emissions by 55% by 2030 and net zero emissions by 2050
  - *The Integrated National Energy and Climate Plan*, implementing the Climate Law
- Proceeds from the bonds issued through this framework are intended solely to finance or refinance eligible expenditures in the following green and social categories:



Green Buildings	Access to Essential Services – Education
Energy Transition	Access to Essential Services – Healthcare
Low-carbon transport	Access to Essential Services – Social Inclusion
Protection of the Environment	Affordable Housing
Waste & Wastewater Management	Employment Generation and socio-economic advancement and empowerment
Climate Finance and R&D	

- The Sustainability Bond Framework is aligned to the ICMA Green Bond Principles 2018, Social Bond Principles 2020 and Sustainability Bond Guidelines 2018. Although not yet finalised, the Framework has also been designed to comply with the draft EU Green Bond Standard and the EU Taxonomy recommendations and thus follows best market practise to a very high extent.
- This is the first Sustainable benchmark issue by a Eurozone sovereign, which underlines the innovative and pro-active role that Luxembourg takes in the development of its financial centre. The issuance of this type of bonds geared towards sustainable investment will contribute to the positive development of the sustainable bond market. The liquidity and maturity of this new benchmark especially increases investors' investment opportunities in the space.
- The new 12-year bond extends the Luxembourg government bond ("LGB") curve beyond the 10y benchmark issued in April of this year. The new Sustainability Benchmark carries a 0% annual coupon and was priced at a negative yield of -0.123%. The interest for the transaction from investors was very high, with the orderbook reaching EUR 12.5bn, confirming the keen interest of the investor base in Sustainable investments.
- Joint lead managers for the transaction were BCEE, BGL BNP Paribas, BIL, Deutsche Bank and Société Générale.

### Pricing and Execution

- The Grand Duchy of Luxembourg announced its new Sustainability Finance Framework to the market on Wednesday Sept 2nd, 2020 along with its intention to issue a new medium to long-term Sustainable Benchmark bond.
- The following day, the Grand Duchy offered investors a very well attended Global Investor Call followed by a day of additional one-on-one investor calls in order to familiarise the investor base with Luxembourg's new Framework.
- Upon strong positive feedback from the investor community after the GIC & one day of 1:1 investor calls, Luxembourg decided to come to market on Monday morning, announcing an inaugural 12 yr sustainable bond at benchmark size with an initial pricing of MS +5a.
- The order book grew quickly with orders in excess of €5bn (excl. JLM interest) after less than an hour. Spread guidance was released at MS + 3a and books grew steadily to over EUR 9bn at 11:20 CET. Final guidance was set at MS flat (+1/-1 WPIR). Books closed at 11:45 CET.
- The transaction was officially launched for an amount of EUR 1.5bn at MS – 1 bp at a final book of more than EUR 12.5bn excluding orders from the Managers.

### Distribution Summary

- Luxembourg gathered investor demand from a wide range of domestic and international accounts with over 260 orders in the final book. In terms of distribution the transaction received strong interest from Fund Managers, central Banks/Official Institutions, Insurers/Pension Funds and Banks as detailed here below.
- Distribution was broadly based throughout Europe, with French and UK-based investors taking the largest parts.



**EUR 1.5bn 0% 12-Year Sustainable Benchmark**

