

LUX IM – ESG AMUNDI SUSTAINABLE ALPHA

Sustainability-related disclosures required for Article 8 financial products under the Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector

Preamble

LUX IM – ESG AMUNDI SUSTAINABLE ALPHA (“the Sub-fund”) invests in securities of issuers that contribute to the Sub-fund’s promoted environmental and social characteristics, in line with the Sub-fund’s defined environmental, social and governance (hereinafter “ESG”) investment strategy and in accordance with the ESG analysis framework and scoring methodology of the Investment Manager (“Amundi”).

Amundi’s ESG analysis framework has been designed to assess corporate behaviour in three fields: Environment, Social, and Governance (ESG). Amundi assesses companies’ exposure to ESG risks and opportunities, including sustainability factors and sustainability risks, and how corporates manage these challenges in each of their sectors. Each issuer is assessed based on a “best-in-class” approach with a quantitative score scaled around the average of their sector, which distinguishes best practices from worst practices at sector level. The quantitative score is translated into a letter rating which ranges from a scale of A (for best practices) to G (for the worst ones). G-rated companies are excluded from investment. Regarding corporate issuers, the ESG analysis framework is comprised of 38 criteria, of which 17 are cross-sector criteria, common to all companies whatever their business sector (such as but not limited to emissions; water management; biodiversity; health and safety; working conditions; board structure; audit and control), and 21 sector specific criteria (e.g. green vehicles for the automotive industry, bioethics for the pharmaceutical industry, health products for the food industry, etc...).

Regarding sovereign issuers, an ESG score ranging from A to G has been developed as well based on a set of about 50 ESG indicators, falling into the pillars E, S or G and grouped into 8 categories (such as but not limited to climate change; human rights; government effectiveness).

The Sub-fund further intends to invest in issuers that qualify as sustainable investment in accordance with Article 2 (17) of Regulation (EU) 2019/2088 (“SFDR”).

The Sub-fund is not considering the EU criteria for environmentally sustainable economic activities as defined under the EU Taxonomy Regulation to determine the attainment of the sustainable environmental or social characteristics that it promotes.

At least 95% of the financial product’s assets are planned to be ESG aligned, a minimum of 10% of the financial product’s assets will qualify as sustainable in accordance with article 2 (17) of the SFDR.

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-fund.

Sustainable Finance Disclosure Regulation Level 2 – Website Disclosure

Section	Regulatory Requirements	Disclosure
Summary Article 25 – SFDR II	<p>In the website section ‘Summary’ referred to in Article 24, point (a), financial market participants shall summarise all the information contained in the different sections referred to in that Article about the financial products that promote environmental or social characteristics. The summary section shall have a maximum length of two sides of A4-sized paper when printed.</p> <p>The website section ‘Summary’ referred to in Article 24, point (a), shall be provided in at least the following languages:</p> <p>(a) one of the official languages of the home Member State and, where different and where the financial product is made available in more than one Member State, in an additional language customary in the sphere of international finance;</p> <p>(b) where the financial product is made available in a host Member State, one of the official languages of that host Member State.</p>	<p>Please refer to the standardized 2 pager summary https://www.bgfml.lu/site/en/home/sustainable.html</p>
No sustainable investment objective Article 26 – SFDR L2	<p>In the website section ‘No sustainable investment objective’ referred to in Article 24, point (b), financial market participants shall insert the following statement: “This financial product promotes environmental or social characteristics but does not have as its objective sustainable investment.”</p> <p>Where the financial product commits to making one or more sustainable investments, financial market participants shall in the website section ‘No sustainable investment objective’ referred to in Article 24, point (b), explain how the sustainable investment does not significantly harm any of the sustainable investment objectives, including all of the following:</p>	<p>This financial product promotes environmental or social characteristics but does not have as its objective sustainable investment.</p> <p>Amundi considers that a company contributes to an environmental or social objective if it follows best environmental and social practices and if its products and services do not by essence harm the environment and society. Amundi follows the two criteria below to identify if a company can be a sustainable investment:</p> <ol style="list-style-type: none"> 1- The company operates in an activity which is compatible with long-term sustainability 2- The company contributes to long term sustainability objectives <p>Amundi considers that an investment should pass the two Do Not Significantly Harm (DNSH) tests below:</p> <p><u>First DNSH test: the company does not harm specific sustainability factors:</u></p> <p>The first DNSH test relies on the monitoring of specific Principle Adverse Impacts. In order to pass the test, a company should:</p> <ul style="list-style-type: none"> – Have a CO2 intensity which does not belong to the last decile compared to other; and companies within its sector (only applies to high intensity sectors) (unit: tCO2e/M€ revenues); and – Have a Board of Directors’ diversity which does not belong to the last decile compared to other companies within its sector (unit: %); and – Be cleared of any controversy in relation to work conditions and human rights (unit: yes /not); and – Be cleared of any controversy in relation to biodiversity and pollution (unit: yes or no). <p>Amundi already considers specific Principle Adverse Impacts within its exclusion policy as part of Amundi’s Responsible Investment Policy. These exclusions, which</p>

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		<p>apply on the top of the tests detailed above, cover the following topics: exclusions on controversial weapons, Violations of UN Global Compact principles, coal and tobacco.</p> <p><u>Second DNSH test: the company is not an overall bad environmental or social performer:</u></p> <p>Beyond the specific sustainability factors covered in the first test, Amundi has defined a second test in order to verify that the company does not badly perform from an overall environmental or social standpoint compared to other companies within its sector. The approach relies on Amundi's ESG scoring methodology. Amundi defines that a bad performing company has one of the worse 7% environmental or social performance within its sector. Using Amundi's ESG scoring methodology, this means that a company should have an environmental and a social score superior or equal to E.</p>
	<ul style="list-style-type: none"> how the indicators for adverse impacts in Table 1 of Annex I, and any relevant indicators in Tables 2 and 3 of that Annex I, are taken into account; 	All mandatory Principal Adverse Impact indicators (included in Annex 1 of the Commission Delegated Regulation (EU) 2022 / 1288) are constantly monitored where robust data is available.
	<ul style="list-style-type: none"> whether the sustainable investment is aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights. 	The OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights are integrated into our ESG scoring methodology. Our proprietary ESG rating tool assesses issuers using available data from our data providers. For example the model has a dedicated criteria called "Community Involvement & Human Rights" which is applied to all sectors in addition to other human rights linked criteria including socially responsible supply chains, working conditions, and labor relations. Furthermore, we conduct controversy monitoring on a, at minimum, quarterly basis which includes companies identified for human rights violations. When controversies arise, analysts will evaluate the situation and apply a score to the controversy (using our proprietary scoring methodology) and determine the best course of action. Controversy scores are updated quarterly to track the trend and remediation efforts.
<p>Environmental or social characteristics of the financial product</p> <p>Article 27 – SFDR L2</p>	In the website section 'Environmental or social characteristics of the financial product' referred to in Article 24, point (c), financial market participants shall describe the environmental or social characteristics that the financial products promotes.	<p>The Sub-fund invests in securities of issuers that contribute to the Sub-fund's promoted environmental and social characteristics, in line with the Sub-fund's defined environmental, social and governance (hereinafter "ESG") investment strategy and in accordance with the ESG analysis framework and scoring methodology of the Investment Manager ("Amundi").</p> <p>Amundi's ESG analysis framework has been designed to assess corporate behaviour in three fields: Environment, Social, and Governance (ESG). Amundi assesses companies' exposure to ESG risks and opportunities, including sustainability factors and sustainability risks, and how corporates manage these challenges in each of their sectors. Each issuer is assessed based on a "best-in-class" approach" with a quantitative score scaled around the average of their sector, which distinguishes best practices from worst practices at sector level. The quantitative score is translated into a letter rating which ranges from a scale of A (for best practices) to G (for the worst ones). G-rated companies are excluded from investment. Regarding corporate issuers, the ESG analysis framework is comprised of 38 criteria, of which 17 are cross-sector criteria, common to all companies whatever their business sector (such as but not limited to emissions; water management; biodiversity; health and safety; working conditions; board structure; audit and control), and 21 sector specific criteria (e.g.</p>

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		green vehicles for the automotive industry, bioethics for the pharmaceutical industry, health products for the food industry, etc...). Regarding sovereign issuers, an ESG score ranging from A to G has been developed as well based on a set of about 50 ESG indicators, falling into the pillars E, S or G and grouped into 8 categories (such as but not limited to climate change; human rights; government effectiveness).
Investment strategy	In the website section 'Investment strategy' referred to in Article 24, point (d), financial market participants shall describe all of the following:	
Article 28 – SFDR L2	<ul style="list-style-type: none"> the investment strategy used to meet the environmental or social characteristics promoted by the financial product; 	<p>The investment objective of the Sub-fund is to provide capital growth over the medium to long term through a flexible exposure to multiple asset classes. The selection process of the target investments will combine extra-financial assessments based on the issuers' adherence to ESG criteria, in accordance with the ESG policy of the Amundi Group, with the traditional financial analysis with the aim of assessing the long term potential for growth.</p> <p>The ESG analysis of the target issuers relies on internal research activity complemented with external research and data from specialised external providers and encompasses negative screening, positive screening and assessment of the positive contribution to sustainable investments.</p> <p>Target investments are subject to the following sustainability indicators, in order to assess their eligibility for investment by the Sub-fund and thus to measure the attainment of the pursued environmental and social characteristics:</p> <ul style="list-style-type: none"> Negative screening: exclusion of target issuers involved in controversial conduct and/or activities; ESG Rating of the Sub-fund
	<ul style="list-style-type: none"> the policy to assess good governance practices of the investee companies, including with respect to sound management structures, employee relations, remuneration of staff and tax compliance. 	<p>The assessment of good governance practices rely on Amundi ESG scoring methodology. Amundi's ESG scoring is based on a proprietary ESG analysis framework, which accounts for 38 general and sector-specific criteria, including governance criteria. In the Governance dimension, we assess an issuer's ability to ensure an effective corporate governance framework that guarantees it will meet its long-term objectives (e.g. guaranteeing the issuer's value over the long term). The governance sub-criteria considered are: board structure, audit and control, remuneration, shareholders' rights, ethics, tax practices and ESG strategy. Amundi ESG Rating scale contains seven grades, ranging from A to G, where A is the best and G the worst rating. G-rated companies are excluded from our investment universe.</p>
Proportion of investments	In the website section 'Proportion of investments' referred to in Article 24, point (e), financial market participants shall insert the information referred to in Article 14 and shall distinguish between direct exposures in investee entities and all other types of exposures to those entities.	The Sub-fund invests at least 95% of its net assets in investments aligned with the environmental/social characteristics, excluded derivatives. The Sub-fund commits to make 10% a minimum of sustainable investments; 5% with an environmental objective not aligned with Taxonomy, 5 % with a social objective. The Sub-fund does not use derivatives to attain its environmental or social characteristics. Concerning the investment in other UCITS and/or UCIs, including ETFs (the "target funds"), the target funds selection will focus on ETFs on major ESG or Sustainable and Responsible Investment ("SRI") indices, UCITS and/or UCI; being qualified under Article 8 or Article
Article 29 – SFDR L2		

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		<p>9 of SFDR and/or have a link of their underlying investment theme with one or several of the UN Sustainable Development Goals (SGDs).</p> <div> <pre> graph LR Investments --> N1["#1 Aligned with E/S characteristics 95% excluded derivatives"] Investments --> N2["#2 Other 5% excluded derivatives"] N1 --> N1A["#1A Sustainable Min. 10%"] N1 --> N1B["#1B Other E/S characteristics"] N1A --> N1A1["Other environmental Min 5%"] N1A --> N1A2["Social Min 5%"] </pre> </div> <p><i>#1 Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.</i></p> <p><i>#2 Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.</i></p> <p><i>The category #1 Aligned with E/S characteristics covers:</i></p> <ul style="list-style-type: none"> - The sub-category #1A Sustainable covers sustainable investments with environmental or social objectives. - The sub-category #1B Other E/S characteristics covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments. <p>To classify as sustainable investments, target issuers meet two criteria:</p> <p>1- <u>The company operates in an activity which is compatible with long-term sustainability</u> Amundi considers that a company is compatible with long-term sustainability if it does not have a significant exposure to the activities below:</p> <ul style="list-style-type: none"> * Activities listed as unsustainable in the Preliminary EU Social Taxonomy Report (July 2021): tobacco, weapons, gambling * Activities that must be significantly reduced or discontinued to achieve the overall carbon neutrality objectives: coal, hydrocarbons (all "upstream" activities and the most polluting downstream activities), most polluting activities (meat production, aviation, etc.) * Activities that must be reduced in line with the EU strategy ("from farm to fork") or have a significant negative impact on natural capital: fertilizer and pesticide manufacturing, single-use plastic production <p>2- <u>The company contributes to long term sustainability objectives</u> Amundi defines that to contribute to long-term sustainability a company must be "best performer" within its sector of activity on at least one of its material environmental or social factors. The definition of best performing companies relies on Amundi's ESG methodology which aims to measure the ESG performance of an issuer. In order to be considered "best performer", Amundi considers that a company must perform within the top third of the companies within its sector on at least one material environmental or social factors. This corresponds to a C score on Amundi's ESG scoring methodology which goes from G to A (A being the best score). Following a double materiality rational, this approach only applies to</p>

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		<p>environmental and social factors that are material for the sector in which the company operates. A target issuer that meet such criteria is considered as sustainable in its entirety.</p> <p>The remaining investments of the Sub-fund (“#2 Other”) may be invested in cash and cash equivalents for liquidity purposes.</p>
<p>Monitoring of environmental or social characteristics</p> <p>Article 30 – SFDR L2</p>	<p>In the website section ‘Monitoring of environmental or social characteristics’ referred to in Article 24, point (f), financial market participants shall describe how the environmental or social characteristics promoted by the financial product and the sustainability indicators used to measure the attainment of each of those environmental or social characteristics promoted by the financial product are monitored throughout the lifecycle of the financial product and the related internal or external control mechanisms.</p>	<p>The Investment Manager integrates the ESG analysis within the investments’ selection process, as follows:</p> <p>Negative Screening</p> <ul style="list-style-type: none"> ▪ are involved in severe controversies according to the United Nations Global Compact and/or that violate the principles of the United Nations Universal Declaration of Human Rights, the International Labor Organization's (ILO) labor standards, the United Nations Guiding Principles for Business and Human Rights (UNGPs) and the OECD Guidelines for Multinational Enterprises; ▪ are involved in specific activities (according to specific thresholds applied to the revenues deriving from such activities): <ul style="list-style-type: none"> ○ controversial and nuclear weapons; ○ conventional weapons; ○ adult entertainment; ○ coal; ○ tobacco; ○ gambling; ○ Anti-personnel mines and cluster bombs (Ottawa and Oslo treaties) ○ Chemical, biological and depleted uranium weapons <p>ESG rating of the Sub-fund</p> <p>Target issuers having complied with the negative screening are further assessed using the Investment Manager own proprietary Amundi ESG rating, where each issuer is evaluated through the assignment of a synthetic rating (“ESG Rating”), which classifies it on a scale of seven levels ranging from “A” (highest rating) to “G” (lowest rating). The ESG Rating of each issuer is the result of the aggregation of the environmental, social and corporate governance ratings. The overall ESG Rating of the portfolio is the weighted average of each issuer’s ESG Rating taking into account the amount invested in each of them. In this respect, for the portion of the Sub-fund’s net assets directly invested in transferable securities, the Sub-fund is managed in order to pursue an average Amundi ESG Rating above the one of its investment universe, that is D in Amundi internal rating Concerning the investment in other UCITS and/or UCIs, including ETFs (the “target funds”), the target funds selection will focus on ETFs on major ESG or Sustainable and Responsible Investment (“SRI”) indices, UCITS and/or UCI; being qualified under Article 8 or Article 9 of SFDR and/or have a link of their underlying investment theme with one or several of the UN Sustainable Development Goals (SDGs).</p>

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Methodologies for environmental or social characteristics Article 31 – SFDR L2	<p>In the website section ‘Methodologies for environmental or social characteristics’ referred to in Article 24, point (g), financial market participants shall describe the methodologies to measure how the social or environmental characteristics promoted by the financial product are met.</p>	<p>In order to attain the promoted environmental and social characteristics, the eligibility of target issuers is assessed based on the above-described ESG integration, negative screening, and consideration of principal adverse impacts (see ‘Monitoring of the sustainable investment objective’).</p> <p>Internal controls are in place in respect of investment decision making for the Sub-fund. These include, but are not limited to, pre-trade and post-trade controls to ensure all applicable binding elements are observed at all times and independent oversight by risk management functions as required.</p> <p>The Investment Manager of the Sub-fund is using internal research activity complemented with external research and data from specialised external providers.</p>
Data sources and processing Article 32 – SFDR L2	<p>In the website section ‘Data sources and processing’ referred to in Article 24, point (h), financial market participants shall describe all of the following:</p> <ul style="list-style-type: none"> the data sources used to attain each of the environmental or social characteristics promoted by the financial product; the measures taken to ensure data quality; how data are processed; the proportion of data that are estimated. 	<p>Amundi's ESG scores are built using Amundi's ESG analysis framework and scoring methodology and they source data from various sources .</p> <p>Data quality controls of external data providers are managed by the Global Data Management unit. Controls are deployed at different steps of the value chain, from pre-integration controls, post-integration ones, to post calculation ones like controls on proprietary scores for instance.</p> <p>External data are collected and controlled by the Global Data Management team and are plugged into the SRI module.</p> <p>The SRI module is a proprietary tool that ensures the collection, quality check and processing of ESG data from external data providers. It also calculates the ESG ratings of issuers according to Amundi proprietary methodology. The ESG ratings in particular are displayed in the SRI module to portfolio managers, risk, reporting and the ESG teams in a transparent and user-friendly manner (issuer's ESG rating together with the criteria and the weights of each criteria).</p> <p>For ESG ratings, at each stage of the calculation process, the scores are normalised and converted into Z-scores (difference between the company's score and the average score in the sector, as a number of standard deviations). Hence each issuer is assessed with a score scaled around the average of their sector, enabling to distinguish best-practices from worst practices at sector level (Best-in-Class approach). At the end of the process, each issuer is assigned an ESG score (approximately between -3 and +3) and the equivalent on a letter scale from A to G, where A is the best, and G the worst.</p> <p>Data is then disseminated via Alto front office to portfolio managers and is monitored by the risk team.</p> <p>ESG scores utilize data derived from external data providers, internal ESG assessment/research conducted by Amundi, or through a regulated third party recognised for the provision of professional ESG scoring and assessment. Without mandatory ESG reporting at company level, estimations are a core component of data providers' methodology.</p>

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Limitations to methodologies and data Article 33 – SFDR L2	In the website section ‘Limitations to methodologies and data’ referred to in Article 24, point (i), financial market participants shall describe all of the following:	
	<ul style="list-style-type: none"> any limitations to the methodologies referred to in Article 24, point (g), and to the data sources referred to in Article 24, point (h); 	<p>Amundi’s methodology limitations are by construction linked to use of ESG data. The ESG data landscape is currently being standardised which can impact data quality; data coverage also is a limitation. Current and future regulation will improve standardized reporting and corporate disclosures on which ESG data rely.</p> <p>Amundi is aware of such limitations which they mitigate by a combination of approaches: the monitoring of controversies, the use of several data providers, a structured qualitative assessment by our ESG research team of the ESG scores, the implementation of a strong governance.</p>
	<ul style="list-style-type: none"> how such limitations do not affect how the environmental or social characteristics promoted by the financial product are met. 	Based on the details above, there is no material effect on the attainment of the environmental or social characteristics promoted by the Sub-fund identified.
Due Diligence Article 34 – SFDR L2	In the website section ‘Due diligence’ referred to in Article 24, point (j), financial market participants shall describe the due diligence carried out on the underlying assets of the financial product, including the internal and external controls on that due diligence.	In order to qualify for initial investment, the investments must comply with the binding elements applied by the Sub-fund. This compliance has to be ensured by the Investment Manager through pre-trade compliance mechanism in place.
Engagement policies Article 35 – SFDR L2	In the website section ‘Engagement policies’ referred to in Article 24, point (k), financial market participants shall describe the engagement policies implemented where engagement is part of the environmental or social investment strategy, including any management procedures applicable to sustainability-related controversies in investee companies.	Amundi engages investee or potential investee companies at the issuer level regardless of the type of holdings held (equity and bonds). Issuers engaged are primarily chosen by the level of exposure to the subject of engagement, as the environmental, social, and governance issues that companies face have a major impact on society, both in terms of risk and opportunities.
Designated reference benchmark – Optional Article 36 – SFDR L2	In the website section ‘Designated reference benchmark’ referred to in Article 24, point (l), financial market participants shall describe whether an index has been designated as a reference benchmark to meet the environmental or social characteristics promoted by the financial product, and how that index is aligned with the environmental or social characteristics promoted by the financial product, including the input data, the methodologies used to select those data, the rebalancing methodologies and how the index is calculated.	No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-fund.