

## **LUX IM – ESG EURIZON CONTRARIAN APPROACH**

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 EURIZON CONTRARIAN APPROACH** (“the Sub-fund”) invests in securities of issuers showing potential for sustainable growth and generating stable competitive advantages over time, 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.

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.

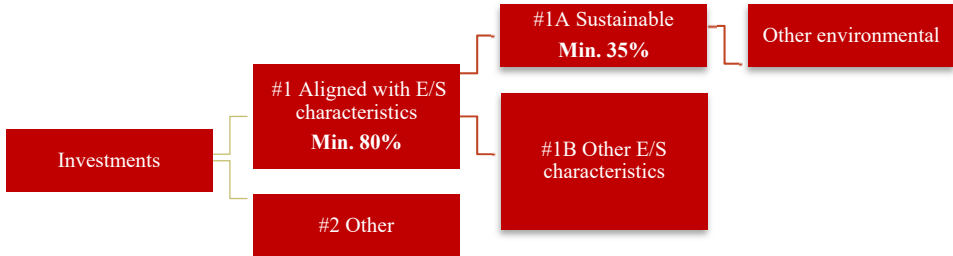
At least 80% of the financial product’s assets are planned to be ESG aligned, 35% of the financial product’s assets will qualify as sustainable in accordance with article 2 (17) of the SFDR.

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
<b>Summary</b>  <b>Article 25 – SFDR II</b>	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.	Please refer to the standardized 2 pager summary <a href="https://www.bgfml.lu/site/en/home/sustainable.html">https://www.bgfml.lu/site/en/home/sustainable.html</a>
	<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>	
<b>No sustainable investment objective</b>  <b>Article 26 – SFDR L2</b>	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.”	This financial product promotes environmental or social characteristics but does not have as its objective sustainable investment.
	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:	The Investment Manager aims to select securities issued by companies whose activities contribute to one or more sustainable development goals, such as the Sustainable Development Goals (SDGs) promoted by the United Nations (UN). These investments should not have a significant adverse impact on any of the environmental or social objectives established by Regulation (EU) 2019/2088 and the companies benefiting from such investments should respect the principles of good governance. Specifically, the contribution to one or more sustainable development goals takes into account selected quantitative and qualitative measures, including the exposure to disputes which highlight any adverse impacts caused by the issuer.
	<ul style="list-style-type: none"> <li>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;</li> </ul>	<p>The Investment Manager, in following the measures it has established, considers specific environmental and social indicators in order to assess the main negative effects on sustainability factors determined by the Sub-fund’s investment activities. Although the negative effects of investment decisions on sustainability factors should be considered according to the different range of activities, geographic areas and sectors to which the managed products are exposed, the SGR believes that adequate monitoring of exposure to social and environmental issues is a priority to mitigate the potential negative effects of its investments.</p> <p>In particular, the methodology to select sustainable investments based on the Sustainable Development Goals promoted by the United Nations (SDGs) takes into account – to differing degrees – the principal adverse impact indicators through quantitative and qualitative metrics, such as, for example, the issuer’s exposure to any disputes.</p>
	<ul style="list-style-type: none"> <li>whether the sustainable investment is aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and</li> </ul>	The methodology to select sustainable investments adopted by the Investment Manager and based on the Sustainable Development Goals promoted by the United

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	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.	Nations (UN SDGs) takes into consideration the principal indicators of adverse impact through quantitative and qualitative metrics, such as, for example, the issuer's exposure to any disputes. In this framework, for example, the involvement of the issuer in any disputes relating to human rights, workers' rights and how it conducts its business are assessed.
<b>Environmental or social characteristics of the financial product</b>  <b>Article 27 – SFDR L2</b>	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.	The Sub-fund invests in securities of issuers showing potential for sustainable growth and generating stable competitive advantages over time, 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.
<b>Investment strategy</b>  <b>Article 28 – SFDR L2</b>	<p>In the website section 'Investment strategy' referred to in Article 24, point (d), financial market participants shall describe all of the following:</p> <ul style="list-style-type: none"> <li>the investment strategy used to meet the environmental or social characteristics promoted by the financial product;</li> </ul>	<p>The investment objective of the Sub-fund is to provide a combination of income and capital growth over the medium term. The management style of the Sub-fund is flexible and the asset allocation will be dynamically adjusted among equity securities, quality debt securities with rating investment grade, high yield bonds and money market instruments ("MMIs") on the basis of the target markets' evolution as well as of the macro and micro economic outlooks – investments in high yield bonds will not exceed 30% of the Sub-fund's net assets. Moreover, the selection process will focus on profitability criteria as well as binding environmental, social and governance ("ESG") criteria with the objective of investing in those issuers showing potential for sustainable growth and generating stable competitive advantages over time.</p> <p>Depending on market conditions, the equity exposure of the Sub-fund will range between 30% and 80% of its net assets. The equity exposure will be managed using a "contrarian approach" which aims at investing predominantly in equity instruments with a high expected long term return while reducing investments in equity instruments in case of low expected return</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"> <li>Negative screening: exclusion of target issuers involved in controversial conduct and/or activities;</li> <li>ESG Score integration; Sustainable integration; Carbon footprint: Active ownership: investment in companies that contribute to the environmental and social objectives pursued by the Sub-fund.</li> </ul>
	<ul style="list-style-type: none"> <li>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.</li> </ul>	Issuers who do not comply with good governance practices are considered to be those that do not include independent members in the administrative body. The issuers are identified among those included in the ESG rating systems of reputable external ESG data providers. The monitoring of issuers that do not comply with good governance

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		practices is carried out through specific investment limits that allow both an ex-ante control during the preparation of orders and an ex-post control during the valuation of portfolios.
<b>Proportion of investments</b>  <b>Article 29 – SFDR L2</b>	<p>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.</p>	<p>The Sub-fund invests at least 80% of its net assets in investments aligned with the environmental/social characteristics. The Sub-fund commits to a minimum proportion of sustainable investments of 35% of its net assets. The Sub-fund, however, does not promote the specific environmental goals identified by Regulation (EU) 2020/852. The Sub-fund’s underlying investments do not take into account the European Union’s criteria for eco-sustainable economic activities. Specifically, the measurement of carbon dioxide (CO2) emissions generated by issuers are not used to assess any substantial contribution by those issuers to mitigating climate change under article 10 of Regulation (EU) 2020/852 of the European Parliament and Council, 18 June 2020. The Sub-fund may, however, invest in eco-sustainable activities selected on the basis of its investment policy, but such investments are not in themselves critical to it pursuing its environmental characteristics. The Sub-fund does not use derivatives to attain its environmental or social characteristics</p>  <pre> graph LR     Investments --&gt; N1["#1 Aligned with E/S characteristics Min. 80%"]     Investments --&gt; N2["#2 Other"]     N1 --&gt; N1A["#1A Sustainable Min. 35%"]     N1 --&gt; N1B["#1B Other E/S characteristics"]     N1A --&gt; N1A1["Other environmental"]   </pre> <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"> <li><i>- The sub-category #1A Sustainable covers sustainable investments with environmental or social objectives.</i></li> <li><i>- The sub-category #1B Other E/S characteristics covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.</i></li> </ul> <p>Sustainable investments are defined as (i) target issuers which contribute through their own products and services or production processes, to the realization of the SDGs promoted by the United Nations and (ii) investments in bonds whose proceeds aim at financing environmental and/or social projects (green/social/sustainability-labelled bonds).</p> <p>The degree of alignment of an issuer with the SDGs is assessed through an internal methodology that uses data made available by a specialist info-provider; specifically, the methodology assigns, for each SDG, a specific score (on a scale of -10 “Strongly Misaligned” to +10 “Strongly Aligned”) to an issuer’s Product and Operational</p>

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		<p>Alignment. Issuers achieving scores equal to or less than -2 are considered “Misaligned”; a score equal or higher than 2 is necessary to be assessed as “Aligned”</p> <p>A company is considered "sustainable" if the issuer has at least one SDG with a score equal to "Aligned" or "Strongly Aligned" and no SDG with a score equal to "Misaligned" or "Strongly Misaligned".</p> <p>The minimum proportion of sustainable investments is therefore calculated as the sum of: (i) investments in issuers having, with reference to their own products and services or production processes, a positive "net alignment" with at least 1 of the 17 SDGs and no "net misalignment" with any of the 17 SDGs, and (ii) investments in bonds whose proceeds aim at financing environmental and/or social projects relative to all investments.</p> <p>The remaining investments of the Sub-fund (“#2 Other”) may be invested in (i) ancillary cash and cash equivalents for liquidity purposes within the limits prescribed by applicable laws , (ii) derivatives which may be used for hedging and investment purposes as per the applicable provisions of the Investment Policy of the Sub-fund; (iii) securities for which relevant ESG data is not available, and may be used within the Sub-fund’s investment objective of combination of income and capital growth over the medium term.. No specific minimum environmental or social safeguards are applied for such investments.</p>
<p><b>Monitoring of environmental or social characteristics</b></p> <p><b>Article 30 – SFDR L2</b></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><b>Negative Screening</b></p> <p>Exclusion of target issuers that:</p> <ul style="list-style-type: none"> <li>are involved in severe controversies according to the United Nations Global Compact;</li> <li>are involved in specific activities (according to specific thresholds applied to the revenues deriving from such activities) <ul style="list-style-type: none"> <li>controversial and nuclear weapons;</li> <li>conventional weapons;</li> <li>adult entertainment;</li> <li>coal;</li> <li>tobacco;</li> <li>gambling;</li> </ul> </li> <li>are involved in any other additional exclusion based on principles defined in the exclusion policy available at <a href="https://www.eurizoncapital.com/en/sustainability/sustainability-criteria-application">https://www.eurizoncapital.com/en/sustainability/sustainability-criteria-application</a></li> </ul> <p><b>ESG Score integration</b></p> <p>The Sub-fund pursues, in accordance with good governance principles, a higher ESG score than the relative investable universe score through integrating ESG factors into investment analysis, selection and composition.</p> <p><b>Sustainable integration</b></p>

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		<p>The Sub-fund adopts processes for selecting investments based on sustainable investment criteria, pursuant to the SFDR; this objective is achieved by investing in issuers whose activities contribute to one or more sustainable development goals, such as the Sustainable Development Goals (SDGs) promoted by the United Nations.</p> <p><b>Carbon footprint</b></p> <p>The Sub-fund's goal is to pursue a carbon footprint that is lower than the relative investable universe footprint through integrating methods to measure the carbon dioxide (CO2) emissions generated by issuers.</p> <p><b>Active ownership</b></p> <p>The Sub-fund promotes proactive engagement with issuers by exercising engagement with investees, encouraging effective communication with the management of companies.</p>
<p><b>Methodologies for environmental or social characteristics</b></p> <p><b>Article 31 – SFDR L2</b></p>	<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>
<p><b>Data sources and processing</b></p> <p><b>Article 32 – SFDR L2</b></p>	<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"> <li>the data sources used to attain each of the environmental or social characteristics promoted by the financial product;</li> <li>the measures taken to ensure data quality;</li> <li>how data are processed;</li> <li>the proportion of data that are estimated.</li> </ul>	<p>The Long Term Sustainable Strategies structure of the Investment Department, under the coordination of the Investment Solutions Manager, monitors corporate issuers, also making use of specialized info-providers on ESG and SRI issues, in order to identify the lists referring to (i) issuers deemed not "socially responsible" and (ii) issuers with a high exposure to ESG risks ("critical issuers"). With the support of the ESG &amp; Strategic Activism structure, it oversees the identification and prioritization of the main negative effects of investment choices on sustainability factors, making use of specific specialized info-providers. The results of the analyses relating to the impacts of sustainability risks on financial products, carried out with the support of the Risk Management Function, are presented to the Financial, Credit and Operational Risks Committee, which is responsible for monitoring and defining actions to mitigate the effects negatives related to investment decisions.</p>
	<p>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:</p>	

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<b>Limitations to methodologies and data</b>  <b>Article 33 – SFDR L2</b>	<ul style="list-style-type: none"> <li>any limitations to the methodologies referred to in Article 24, point (g), and to the data sources referred to in Article 24, point (h);</li> </ul>	<p>Considering the above detailed investment methodology as well as the data sources, the limitations to the attainment of the promoted environmental and social characteristics, are deemed non-material, as the investment universe of the Sub-fund provides an appropriate level of disclosure and coverage of required information by the Investment Manager to allow for the application of the investment methodology.</p>
	<ul style="list-style-type: none"> <li>how such limitations do not affect how the environmental or social characteristics promoted by the financial product are met.</li> </ul>	<p>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.</p>
<b>Due Diligence</b>  <b>Article 34 – SFDR L2</b>	<p>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.</p>	<p>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.</p>
<b>Engagement policies</b>  <b>Article 35 – SFDR L2</b>	<p>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.</p>	<p>The Sub-fund promotes proactive engagement with issuers by exercising engagement with investees, encouraging effective communication with the management of companies.</p>
<b>Designated reference benchmark – Optional</b>  <b>Article 36 – SFDR L2</b>	<p>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.</p>	<p>No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-fund.</p>