



Statement on the integration of sustainability risks

Disclosure on the implementation of the requirements of Article 3 of Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector regarding the transparency of sustainability risk policies

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Main amendments	<ul style="list-style-type: none">▪ Consideration of regulatory changes established by Commission Delegated Directive (EU) 2021/1270 amending Directive 2010/43/EU and Commission Delegated Regulation (EU) 2021/1255 amending Delegate Regulation (EU) 231/2013 as regards the sustainability risks and sustainability factors to be taken into account for Undertakings for Collective Investment in Transferable Securities (UCITS) respectively by Alternative Investment Fund Managers▪ Consideration of regulatory changes during 2022 introduced by amendments to
Date	<ul style="list-style-type: none">▪ January 2023
Review cycle	<ul style="list-style-type: none">▪ Next periodic review to be completed by 31 December 2023

1. Introduction

BG FUND MANAGEMENT LUXEMBOURG S.A. (hereinafter „BGFML“ or the „Management Company“) is a management company authorised by the Luxembourg supervisory authority Commission de Surveillance du Secteur Financier pursuant to Chapter 15 of the Luxembourg law of 17 December 2010 on undertakings for collective investment (hereinafter "UCI Law") and is also authorised as an alternative investment fund manager pursuant to the Luxembourg law of 12 July 2013 on alternative investment fund managers (hereinafter "AIFM Law").

BGFML is managing the following three SICAVs that are umbrella funds containing various sub-funds:

- LUX IM
- BG COLLECTION INVESTMENTS
- BG PRIVATE MARKETS SICAV-SIF

2. Legal framework

On 27 November 2019, Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosure requirements in the financial services sector (hereinafter "SFDR") was published. The SFDR entered into force on 10 March 2021. The main objective of the SFDR is to establish harmonised rules for sustainability-related disclosures, aiming among else to enhance transparency on how sustainability risks are considered in the management of the SICAVs.

These transparency requirements apply to both the Management Company and the managed SICAVs.

Further Commission Delegated Directive (EU) 2021/1270 amending Directive 2010/43/EU and Commission Delegated Regulation (EU) 2021/1255 amending Delegate Regulation (EU) 231/2013 established further regulatory requirements regarding sustainability risks and sustainability factors to be taken into account for Undertakings for Collective Investment in Transferable Securities (UCITS) respectively by Alternative Investment Fund Managers as of August 2022.

2.1 Sustainability risk – Definition of the SFDR

According to article 2 (22) SFDR sustainability risk means an environmental, social or governance (hereinafter “ESG”) event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment.

2.2 Sustainability risk – Interaction with traditional risk categories

The UCI Law, as well as the AIFM Law, transpose relevant European Directives (i.e., UCITS Directive and AIFM Directive) as further supplement by delegated regulations into national Luxembourg law. These regulatory frameworks also define the relevant risk categories to be assessed and monitored by the Management Company for the managed sub-funds on an ongoing basis. Such risk categories are represented by: (i) market risk, (ii) liquidity risk, (iii) counterparty risk, (iv) credit risk and (v) operational risk. As of August 2022 sustainability risk is in addition explicitly mentioned as a risk category to be monitored and considered. The effects of sustainability risks may impact all other risk categories described above and especially market risk.

2.3 Sustainability risk – Relationship with „Principal Adverse Impacts“

Article 4 of the SFDR introduces "Principal Adverse Impacts" (hereinafter "PAIs") of investment decisions on sustainability factors.

Several sustainability risk indicators may be considered for the assessment of PAIs on sustainability factors.¹ Moreover the sustainability risk indicators are considered for the assessment and monitoring of sustainability risks.

The Management Company's consideration of PAIs, in accordance with the requirements of article 4 SFDR, is disclosed separately in a dedicated section of the Management Company's web-site.

2.4 Sustainability risk – SFDR requirements

SFDR imposes transparency requirements regarding sustainability risks, according to which the Management Company and the managed sub-funds are required to explain how sustainability risks are integrated within the investment decision-making process.

	Summary of requirements	Level	Implementation
Art. 3 (1) SFDR	Description how the sustainability risks are integrated in the investment decision-making process.	Management Company	Please refer to sections 3 - 5
Art. 6 (1) SFDR	<p>Description in pre-contractual disclosures with respect to</p> <p>(i) The manner in which sustainability risks are integrated into the investment decisions; and</p> <p>(ii) The results of the assessments of the likely impacts of sustainability risks on the returns of the managed investment funds.</p> <p>Where sustainability risks are not deemed relevant, the pre-contractual disclosures shall include a clear and concise explanation of the reasons therefor.</p>	SICAVs	Principle description in the pre-contractual disclosures of the respective SICAV, how sustainability risks are considered within the investment decision-making process.

3. Purpose of the policy

This policy describes how the Management Company manages sustainability risks that may arise when making investment decisions, as well as on an ongoing basis during the management of existing investments as required by article 3 SFDR:

- on an ex-ante basis, as part of the investment decision-making process; and
- on an ex-post basis, as part of the ongoing monitoring.

¹ According to article 2(24) SFDR sustainability factors mean environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

The Management Company is aware of the potential impact that sustainability risks may have on the managed sub-funds and their risk-return profiles.

4. Sustainability risk – Integration in the investment decision-making process

The Management Company is responsible for carrying out the portfolio management activity acting on behalf of the managed SICAVs. The exercise of the portfolio management activity is structured as follows:

- the portfolio management activity is performed by the Management Company itself (with/without the involvement of an external investment advisor);
- the portfolio management activity is delegated to a qualified third party investment manager.

The following principles apply irrespective of the way the portfolio management activity is structured in relation to the concerned sub-funds:

- The Management Company is aware of the potentially significant impact that sustainability risks can have on the managed SICAVs and considers sustainability risks to be relevant for all managed SICAVs – regardless of the way the portfolio management activity is structured;
- The sustainability risks deemed relevant are integrated in the investment decision-making process, taking into account the disclosures in the pre-contractual information of the respective SICAV pursuant to article 6 (1) SFDR and the qualification of the respective sub-fund pursuant to article 8 or 9 SFDR, where applicable;
- Sustainability risks can be assessed both qualitatively and quantitatively;
- The investment manager's consideration of sustainability risks aims to identify the occurrence of these risks as early as possible and to take appropriate measures to minimise the impact on the affected assets, as sustainability risks can have a negative impact on the overall risk-return of the managed sub-fund.
- Sustainability risks are considering environmental, social and corporate governance aspects. While environmental aspects include, for example, climate protection, social aspects include, for example, the consideration of internationally recognised labour law requirements. Corporate governance aspects include, for example, the consideration of anti-corruption and anti-bribery requirements as well as data protection. The specific sustainability risks that are considered may vary depending on the investment strategy and/or investment theme of a relevant sub-fund. The consideration of sustainability risks and their ongoing assessment may lead to the divestment of certain investments in the event of an increase in the sustainability risk and consequent negative impact on the return of a concerned sub-fund.
- The risk management department of the Management Company performs ongoing monitoring of sustainability risks for all managed sub-funds.

4.1 Sustainability risk – Integration in the investment decision-making process when the portfolio management activity is performed by the Management Company

The sustainability risks deemed relevant for any sub-fund, based on the relevant investment strategy, are taken into account in the investment decision-making process in accordance with the provisions described in the investment process of the Management Company and

considering the pre-contractual disclosures of the SICAVs pursuant to article 6 (1) SFDR and the relevant sub-fund's qualification pursuant to article 8 or 9 SFDR, where applicable.

4.2 Sustainability risk – Integration in the investment decision-making process when the portfolio management activity is delegated

The Management Company may delegate the portfolio management activity to qualified third party investment managers. The delegated portfolio manager shall be responsible for the investment decisions and the consideration of sustainability risks within the investment decision-making process, taking into account the pre-contractual disclosures of the SICAVs pursuant to article 6 (1) SFDR and the relevant sub-fund's qualification pursuant to article 8 or 9 SFDR, where applicable.

The Management Company is required by law to monitor the quality of the services provided by a delegated portfolio manager on an ongoing basis. In order to fulfil its obligations, the Company has implemented a contractual agreement as well as an appropriate process to verify that the investment decisions made by a delegated portfolio manager comply with regulatory and legal requirements.

The Management Company is required by law to effectively monitor on an ongoing basis the integration of sustainability risks at two different levels:

- By performing the review of the investment decision-making process of the delegated investment manager as part of the periodic due diligence; and
- By performing ongoing monitoring of the sustainability risks associated with the sub-funds managed by the delegated investment manager.

4.3 Sustainability risk – Product pre-contractual disclosure

In accordance with the requirements of article 6 (1) SFDR, each SICAV must disclose in the pre-contractual information whether and how ("comply or explain") sustainability risks are considered in the investment decision-making process.

A specific sub-fund that meets the requirements of article 8 or 9 SFDR shall disclose in the pre-contractual information the binding ESG/sustainability criteria used in the investment decision-making process (e.g., exclusion of certain sectors/practices, namely "negative screening", integration of ESG ratings, proportion of sustainable investments in accordance with the legal definition of article 2 (17) SFDR), ensuring the appropriate consideration of sustainability risks. The consideration may lead to a limitation of the investable universe.

5. Sustainability risk – Ongoing monitoring

The ongoing monitoring of sustainability risks is ensured by the Management Company through the integration of the applicable sustainability risks within the risk profile of each managed sub-fund by considering relevant sustainability risk indicators/factors.

The identification and selection of the relevant sustainability risk indicators/factors and their application to the relevant sub-fund is based on:

- Investment strategy of the relevant sub-fund (e.g., sector, geography);
- Disclosure of the consideration of sustainability risks in the pre-contractual information pursuant to article 6 (1) SFDR;
- Classification of the sub-fund as "non-sustainable", Art. 8 or 9 according to SFDR;

The risk management department is responsible for the ongoing monitoring of the relevant sustainability risk indicators/factors in accordance with the risk profile of each sub-fund. The risk profiles, relevant metrics and escalation process are defined by the risk management department and described in the Risk Management Process of the Management Company, as amended from time to time.

6. Reporting

The risk management department of the Management Company reports periodically to the Management Committee and the Board of Directors the overall risk exposure of the sub-funds based on the results of the ongoing monitoring performed on the applicable risk indicators. Such reporting is performed on sub-funds managed internally, as well as by delegated investment managers.

The department involved in the performance of the periodic due diligence on delegated investment managers reports periodically reports the results of the monitoring activity described above to the Management Committee and the Board of Directors.

7. Policy review

This policy will be reviewed and, if deemed necessary, updated annually and/or at event, in case of: (i) relevant changes to the organizational structure of the Management Company or (ii) amendments to the regulatory framework governing this policy.