

LUX IM – ESG MORGAN STANLEY GLOBAL MULTI ASSET

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 MORGAN STANLEY GLOBAL MULTI ASSET (“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, including environmental objectives (such as: reducing carbon emissions; and preventing pollution and waste), social objectives (such as: tackling inequality or fostering social cohesion; promoting social integration and labour relations; investing in human capital; promoting access to finance and healthcare; and promoting nutrition and health) and governance objectives (such as good corporate governance and corporate behaviour).

The Sub-fund does not 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.

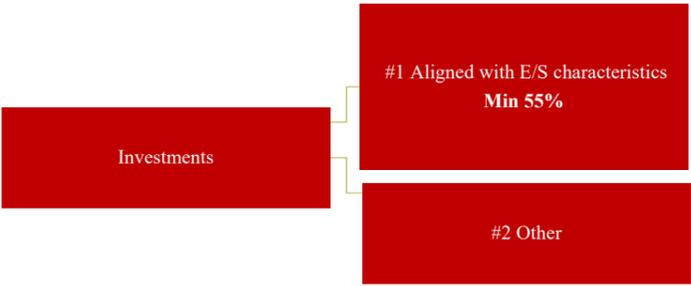
The Sub-fund invests a minimum of 55% of its net assets to investments that are aligned to the promoted environmental and social characteristics.

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>Please refer to the standardized 2 pager summary https://www.bgfml.lu/site/en/home/sustainable.html</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>	
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>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>	
	<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; ▪ 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. 	
Environmental or social	<p>In the website section ‘Environmental or social characteristics of the financial product’ referred to in Article 24, point (c), financial market</p>	<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</p>

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<p>characteristics of the financial product</p> <p>Article 27 – SFDR L2</p>	<p>participants shall describe the environmental or social characteristics that the financial products promote.</p>	<p>(hereinafter “ESG”) investment strategy, including environmental objectives (such as: reducing carbon emissions; and preventing pollution and waste), social objectives (such as: tackling inequality or fostering social cohesion; promoting social integration and labour relations; investing in human capital; promoting access to finance and healthcare; and promoting nutrition and health) and governance objectives (such as good corporate governance and corporate behaviour).</p>
<p>Investment strategy</p> <p>Article 28 – SFDR L2</p>	<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"> ▪ the investment strategy used to meet the environmental or social characteristics promoted by the financial product; ▪ 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 investment objective of the Sub-fund is to provide an attractive level of total return, measured in Euro, through investing primarily in a widely diversified portfolio of transferable securities and Money Market Instruments globally and through the use of financial derivative instruments (“FDIs”).</p> <p>The Sub-fund will implement top-down, tactical views on global asset classes across (1) equity including closed-end real estate investment trusts (“REITS”); (2) fixed income securities; and (3) Money Market Instruments, all such investments being always in compliance with the provisions set out in article 41(1) of the UCI Law and articles 2, 3, and 10 of the Grand-ducal Regulation of February 8, 2008 relating to certain definitions of the UCI Law and FDIs.</p> <p>Further to the determination of the portfolio’s asset allocation, the Investment Manager will seek to capture value from environmental, social and governance (ESG) factors. The Investment Manager will seek to achieve this by tilting the portfolio of the Sub-fund toward companies with favorable ESG characteristics. The ESG analysis of the target issuers relies on internal research activity complemented with external research and data from specialised external providers and encompasses the following binding elements.</p> <ul style="list-style-type: none"> ▪ Negative screening: exclusion of target issuers involved in controversial conduct and/or activities; ▪ ESG integration: investment in companies that contribute to the environmental and social objectives pursued by the Sub-fund. ▪ Consideration of principal adverse impacts <p>Good governance practices are assessed for each target issuer. The Sub-fund does not invest in target issuer that have experienced very severe governance controversies (such as bribery & fraud, tax evasion, governance structures etc).</p>
<p>Proportion of investments</p> <p>Article 29 – SFDR L2</p>	<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 a minimum of 55% of its net assets to investments that are aligned to the promoted environmental and social characteristics.</p>

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		 <p>#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.</p> <p>#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.</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) target funds and/or securities of issuers not aligned with the promoted environmental or social characteristics or for which the Investment Manager is lacking data in order to assess their ESG features and may be used within the Sub-fund’s investment objective of attractive level of total return. As a minimum environmental and social safeguards, all direct investments included under “#2 Other” , except for cash and cash equivalent, target funds and derivatives, are subject to the negative screening.</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> <p>Exclusion of target issuers that:</p> <ul style="list-style-type: none"> ▪ are involved in severe controversies, including the ones related to the infringement of one or more of the ten principles of the United Nations Global Compact; ▪ 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; ○ oli sands

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		<p>ESG integration</p> <p>Target issuers having complied with the negative screening are further assessed using the following sustainability indicators per asset class:</p> <ul style="list-style-type: none"> ▪ Equity investments: the Investment Manager applies an ESG tilt for all equity securities' issuers through a best-in-class approach. Indeed, the Sub-fund allocates its global equity investment to five regional equity baskets. Each will outperform the equivalent regional equity universe determined by the Investment Manager as representative of the relevant region with regard to the weighted average of: <ul style="list-style-type: none"> ○ the ESG score, as determined by a reputable external data provider; and ○ the Low Carbon Transition score, as determined by a reputable external data provider. <p>In addition, the core equity portfolio (which is made up of the total of the five regional baskets) will outperform the entire investment universe with regard to the two scores referenced above.</p> <p>The ESG score (as determined by a reputable data provider) assesses each company based on a combination of the key issues that are most material to a company, out of a possible 35 ESG issues (such as reduction of carbon emissions, preventing pollution, tackling equality, and access to healthcare). The Low Carbon Transition score assesses a company's management of risks and opportunities related to the low carbon transition.</p> <ul style="list-style-type: none"> ▪ Government bonds: The Sub-fund aims to avoid investing in the bonds of countries with a current ESG Government Rating of "CCC". The ESG Government Ratings (as determined by a reputable external data provider) identify a company's exposure to and management of environmental, social and governance risk factors and consider how these factors might impact the long-term sustainability of its economy. <p>PAI consideration</p> <p>The Sub-fund considers the following principal adverse impacts ("PAIs") indicators through the application of the Sub-fund's binding environmental and social characteristics:</p> <ul style="list-style-type: none"> ▪ PAI indicators numbers 1-3 (GHG emissions, carbon footprint and GHG intensity of investee companies): The equity investments of the Sub-fund consider PAI indicators numbers 1-3 regarding GHG emissions in part through its equity investments, applying a tilt considering the Low Carbon Transition score to the equities held in the equity baskets. The Low Carbon Transition score is designed to identify potential leaders and laggards by measuring companies' exposure to and management of risks and opportunities related to the low carbon transition and assesses carbon intensity of each of our equity securities. The Low Carbon Transition score takes into account GHG emissions (scopes 1-3). ▪ PAI indicator number 4 (exposure to companies active in the fossil fuel sector): The Sub-fund considers this PAI indicator in part through its investments in equities because it excludes issuers with high exposure to carbon-intensive activities, with a view to mitigation of climate-related financial risks. ▪ PAI indicators numbers 7-9 (activities negatively affecting biodiversity-sensitive areas, emissions to water and hazardous waste and radioactive waste ratio): The Sub-fund considers these indicators in part through its investments in equities because, as a proxy, it excludes investments in companies involved in ongoing severe structural controversy cases related to environmental harm where we believe appropriate remedial action has not been taken. These controversies include controversies relating

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		<p>to Biodiversity & Land Use, Toxic Emissions & Waste, Water Stress, Operational Waste (Non-Hazardous), Supply Chain Management amongst others.</p> <ul style="list-style-type: none"> ▪ PAI indicator number 10 (violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises): The Sub-fund considers this PAI indicator through its investments in equities because it excludes investments in issuers flagged in breach of one or more selected global norms and conventions, including the United Nations Global Compact Principles (UNGC), United Nations Guiding Principles for Business and Human Rights, [the International Labour Organization’s fundamental principles] and the OECD Guidelines for Multinational Enterprises ▪ PAI indicator number 14 (exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)): The Sub-fund considers this PAI indicator through its investments in equities because it excludes investments in issuers which derive any revenue from controversial weapons (including all the controversial weapons listed for PAI number 14). <p>More information on how PAIs are considered during the reference period will be made available in the periodic reporting of the Sub-fund.</p>
<p>Methodologies for environmental or social characteristics</p> <p>Article 31 – SFDR L2</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 negative screening, ESG screening procedures, 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 binding elements are observed at all times and independent oversight by risk management functions as required.</p>
<p>Data sources and processing</p> <p>Article 32 – SFDR L2</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"> ▪ 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>The Investment Manager leverages ESG data from various external vendors. This data is collected and stored in a centralized ESG data repository to allow any Morgan Stanley business unit, including the investment teams, to access the information for research, portfolio analysis and construction, and client and regulatory reporting.</p> <p>Due to gaps in data coverage, a small proportion of the data which is used to assess alignment with the environmental and social characteristics is estimated data. The Investment Manager estimates this data due to a lack of availability of reliable data. The Investment Manager will keep this lack of data under review and replace the estimated data with third-party data sources or data obtained by other means (e.g., directly from investee companies) when available.</p> <p>The Investment Manager ensures data quality by liaising closely with the different data providers to obtain regular updates to the datasets as the regulation evolves and by conducting due diligence on the external data providers in order to confirm that their methodologies are reliable.</p>

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<p>Limitations to methodologies and data</p> <p>Article 33 – SFDR L2</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> <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>▪ how such limitations do not affect how the environmental or social characteristics promoted by the financial product are met.</p>	<p>The below outlines some of the key themes and commonalities which contribute to limitations in the methodologies and/or data and/or poor data quality:</p> <ul style="list-style-type: none"> • Methodology differences between data providers • Discrepancies in reported vs. estimated carbon emissions data such as Scope 3 emissions • Data lags i.e., reporting timelines for data may not align with SFDR reporting timelines • Data coverage gaps across asset classes, geographies, and market capitalisations • The ESG tilt of government bonds uses a proprietary Sovereign ESG benchmark upon which the Investment Adviser overlays credit research. The credit research overlay may result in changes to the weightings of sovereigns to account for the Investment Manager’s views on the credit quality of those sovereigns. In limited circumstances, application of the Investment Manager’s credit overlay could result in sovereign bonds held by the Fund not outperforming the benchmark on ESG issues, though the Investment Manager does not expect that this will generally be the case. <p>Despite these limitations, some of which impact all consumers of ESG data and are not particular specific to the Investment Manager, the Investment Manager takes steps to mitigate the risk of these limitations hindering the Sub-fund’s ability to meet its environmental and social characteristics – these include (as appropriate), assessing vendor data quality and methodologies, comparing ESG data points between vendors or against its own internal analyses and using appropriate estimations to manage data gaps.</p> <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.</p>
<p>Due Diligence</p> <p>Article 34 – SFDR L2</p>	<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>
<p>Engagement policies</p> <p>Article 35 – SFDR L2</p>	<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 Investment Manager believes that they have a duty to work with the firms in which they invest, to help manage any potential adverse impact and improve their ESG performance. The Investment Manager fulfils this duty by engaging with the companies in which they invest. These stewardship activities give the Investment Manager the opportunity to guide companies in which they invest toward better ESG practices.</p> <p>Typically, the Investment Manager’s main engagement priorities are guided by top-down thematic-based research and an assessment of material ESG risks by the Investment Manager’s dedicated ESG analysts. The Investment Manager believes this is the best approach for its strategy, as researching risks to the global economy and global markets is integral to the Investment Manager’s asset allocation process. This approach therefore ensures that stewardship is seen as a natural extension of the Investment Manager’s philosophy around risk control.</p> <p>The Investment Manager monitors and aims to engage with investee companies which are close to breaching ESG Controversies score, in order to assess the risk of any ESG controversies and encourage better behaviour. This complements the exclusionary screening of investee companies which have breached the ESG Controversies score by the Sub-fund.</p>

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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.