

## **LUX IM – GLOBAL EQUITY SELECTION**

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 – GLOBAL EQUITY SELECTION** (“the Sub-fund”) invests in other UCITS and/or UCI, including exchange traded funds (“ETFs”) and other index funds (together “Target Funds”) that contribute to the Sub-fund’s promoted environmental and social characteristics, and thus adhere to binding ESG criteria. The Target Funds ensure the integration of binding ESG criteria (such as but not limited to the environmental policy adopted by the target issuers; the environmental impact of the products or services offered; the resource efficiency; human rights; human capital development; community engagement; corporate governance structure; shareholders relations; business ethics etc.).

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, indirectly through investment into the Target Funds, 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 51% 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

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| <b>Summary</b><br><br><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><br><br><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:  |  |
|   | <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>  |  |
|   | <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 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.</li> </ul>   |  |

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| <b>Environmental or social characteristics of the financial product</b><br><br><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 promote.  | <p>The Sub-fund invests in other UCITS and/or UCI, including exchange traded funds (“ETFs”) and other index funds (together “Target Funds”) that contribute to the Sub-fund’s promoted environmental and social characteristics, and thus adhere to binding ESG criteria.</p> <p>The Target Funds ensure the integration of binding ESG criteria (such as but not limited to the environmental policy adopted by the target issuers; the environmental impact of the products or services offered; the resource efficiency; human rights; human capital development; community engagement; corporate governance structure; shareholders relations; business ethics etc.).</p>   |
| <b>Investment strategy</b><br><br><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> <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> | <p>The investment objective of this Sub-fund is to provide long-term capital growth. In order to achieve its investment objective, the Sub-fund essentially invests in other UCITS and/or UCI, including exchange traded funds (“ETFs”) in compliance with provisions set out in Art. 41(1) of the UCI Law, invested in fixed income securities and fully paid equity securities in major markets and currencies. Such securities will be selected taking into account profitability criteria as well as environmental, social responsible and governance criteria (“ESG”). The target funds’ selection is based on the investment manager’s assessment of and due diligence performed on the investment process applied therein with the aim to ensure the integration of binding ESG criteria on an ongoing basis. The investment in equity UCITS and/or UCI will range from 50% to 100% of the net assets of the Sub-fund. The Sub-fund may also invest directly on an accessory basis in fixed income securities and fully paid equities issued by companies listed on major markets. The investments’ selection is based on the Investment Manager’s assessment of the investment process applied therein with the aim to ensure the integration of the following binding elements. The Investment Manager integrates the ESG analysis within the investments’ selection process, as follows:</p> <ul style="list-style-type: none"> <li>Negative screening: The Target Funds’ selection is based on the assessment of the investment process applied therein with the aim to ensure, for Target Funds qualified under Article 8 or Article 9 of SFDR, the application of binding minimum exclusion criteria.;</li> <li>Positive screening: The Investment Manager’s Target Funds selection will mainly focus on Target Funds qualified as Article 8 or Article 9 under SFDR.</li> </ul> <p>Good governance practices are assessed for each target investment during the investment due diligence as well as when the target investments will be held by the Sub-fund through the consideration of the ESG rating system which assess the good governance practices of each issuer, including, inter alia, the corporate governance structure; shareholders rights; accounting standards; business ethics.</p> |
| <b>Proportion of investments</b><br><br><b>Article 29 – SFDR L2</b>  | 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 a minimum of 51% of its net assets to investments that are aligned to the promoted environmental and social characteristics.   |

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|  |   | <div data-bbox="1745 247 2436 531"> <pre> graph LR     A[Investments] --&gt; B["#1 Aligned with E/S characteristics<br/>Min 51%"]     A --&gt; C["#2 Other"] </pre> </div> <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 for liquidity management within the limits prescribed by applicable laws; (ii) accessory investments in financial derivative instruments used for hedging and/or investment purposes as per the applicable provisions of the Investment Policy of the Sub-fund; (iii) investments in Target Funds (and directly in target issuers as accessory investment only) which are not aligned with the promoted environmental or social characteristics and may be used within the Sub-fund’s investment objective of capital appreciation. No specific minimum environmental or social safeguards are applied for investments in cash; financial derivatives and Target Funds are not aligned with the pursued ESG characteristics. A negative screening is applied to accessory direct investments in target issuers, avoiding that such investments are made in issuers involved in controversial behaviours and/or controversial activities.</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>The Target Funds’ selection is principally based on their qualification as Article 8 or Article 9 under SFDR and for such funds foresees an assessment of the investment process applied therein with the aim to ensure the application of binding minimum exclusion criteria, such as but not limited to the exclusion of target issuers which are involved in severe controversies according to the United Nations Global Compact; are involved in specific activities (according to specific thresholds applied to the revenues deriving from such activities), e.g. controversial and nuclear weapons; conventional weapons; coal; tobacco.</p> <p><b>Positive Screening</b></p> <p>The Target Funds selection will be based, for at least 51% of the Sub-fund’s net assets, on their qualification as Article 8 or Article 9 under SFDR, such as:</p> <p>(i) ETFs on major ESG and/or Sustainable and Responsible Investment (“SRI”) indices designed to ensure the binding inclusion of the best-in class companies from an ESG and SRI perspective and/or to</p>  |

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|   |  | <p>exclude the ones involved in sectors or whose products or activities may have the potential for negative social or environmental impact;</p> <p>(ii) UCITS and/or UCI which adhere to binding ESG criteria and incorporate them in their investment decisions through a systematic process (based on, but not limited to, ESG research, screening, ratings, provided by external data providers and/or internal research, and/or on exclusion policies) with the aim to select issuers with strong ESG practices and/or to exclude the ones potentially exposed to ESG controversies or involved in specific activities (such as but not limited to weapons and cluster munitions, tobacco or coal industries);</p> <p>(iii) Target Funds, whose investment strategies target specific themes related to ESG factors (such as but not limited to climate change, clean energy, clean technology, water sustainability and gender equality) aiming to select the issuers that most benefit from them.</p> <p>Regarding the Sub-fund's accessory direct investments in fixed income securities and fully paid equities, securities' issuers are subject to an ESG analysis on the basis of binding ESG criteria with the aim to exclude the ones exposed to ESG controversies or involved in specific activities as mentioned above and to retain the ones that meet minimum standard in terms of the ESG ratings used to assess their ESG profile and based on the proprietary methodology of an external advisor and ranging from 1 to 5 (5 being the best rating).</p> |
| <b>Methodologies for environmental or social characteristics</b><br><br><b>Article 31 – SFDR L2</b> | 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>In order to attain the promoted environmental and social characteristics, the eligibility of target investments is assessed based on the above-described negative screening and positive screening procedures (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>   |
| <b>Data sources and processing</b><br><br><b>Article 32 – SFDR L2</b>                               | <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> </ul> | <p>The data sources used by the Investment Manager refer essentially to the official pre-contractual documentation of the Target Funds and to the information provided within the assessment of the investment process applied therein, which enable to assess their qualification under Article 8 or Article 9 of SFDR and binding minimum exclusion criteria.</p> <p>As far as concerns the accessory direct investments in fully paid equities, the ESG analysis of the target issuers benefit from the appointment of an external advisor which leverage internal research activity complemented with external research and data provided by reputable external ESG data.</p> <p>Taking into account the nature of such data sources, being essentially official pre-contractual documentation and information provided within the due diligence performed on the Target Funds, data quality is ensured at all times.</p> <p>Data mentioned above about the Target Funds is processed in order to ensure that the Sub-fund is compliant with the applicable binding elements.</p>  |



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|  | <ul style="list-style-type: none"> <li>the proportion of data that are estimated.</li> </ul>  | Taking into account the nature of such data sources, being essentially official pre-contractual documentation and information provided within the due diligence performed on the Target Funds , data is no subject to estimation. Target Funds could use estimate data for a minor extent taking into consideration the nature of their investment universe.  |
| <b>Limitations to methodologies and data</b>     | 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:   |   |
| <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>  | 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. |
|  | <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>   | Based on the details above, there is no material effect on the attainment of the environmental or social characteristics promoted by the Sub-fund.  |
| <b>Due Diligence</b>                             | 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.   |
| <b>Engagement policies</b>                       | 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.  | This section is not applicable, as the Sub-fund is not deploying an ESG engagement strategy for the attainment of the promoted environmental or social characteristics.   |
| <b>Designated reference benchmark – Optional</b> | 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.   |
| <b>Article 36 – SFDR L2</b>                      |   |   |