

## **LUX IM – ESG INVESCO BELT & ROAD EVOLUTION**

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 INVESCO BELT & ROAD EVOLUTION** (“the Sub-fund”) invests in securities of issuers that contribute to the Sub-fund’s promoted environmental and social characteristics (such as but not limited to carbon emissions, water and waste management, ecological impacts, human rights, diversity & inclusion, health & safety, product safety, data privacy, executive remuneration, board independence, shareholder rights and business ethics) in line with the Sub-fund’s defined environmental, social and governance (hereinafter “ESG”) investment strategy.

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.

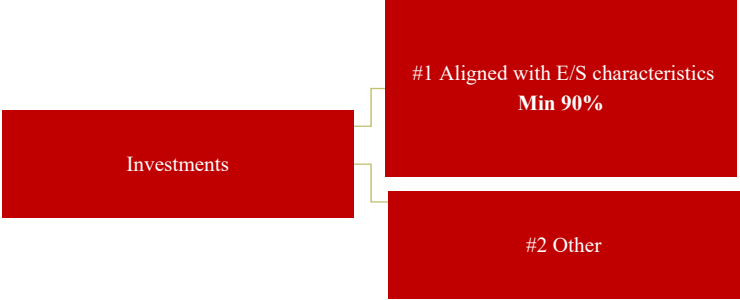
The Sub-fund invests a minimum of 90% of its net assets to investments that are aligned to the promoted environmental and social characteristics.

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>   |   |
| <b>Environmental or social</b>  | In the website section ‘Environmental or social characteristics of the financial product’ referred to in Article 24, point (c), financial market  | The Sub-fund invests in securities of issuers that contribute to the Sub-fund’s promoted environmental and social characteristics (such as but not limited to carbon emissions, water and waste management, |

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| <b>characteristics of the financial product</b><br><br><b>Article 27 – SFDR L2</b> | <p>participants shall describe the environmental or social characteristics that the financial products promote.</p>  | <p>ecological impacts, human rights, diversity &amp; inclusion, health &amp; safety, product safety, data privacy, executive remuneration, board independence, shareholder rights and business ethics) in line with the Sub-fund’s defined environmental, social and governance (hereinafter “ESG”) investment strategy.</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> </ul> | <p>The investment objective of the Sub-fund is to provide long-term total returns, through a combination of capital growth and income, driven by a strong thematic approach. To this end, the Sub-fund focuses on the “Belt and Road Initiative” which aims to connect China, Asia, Europe, Africa and their adjacent seas (the so-called “Belt and Road Region”), through the development of the Silk Road Economic Belt and 21st -Century Maritime Silk Road with the aim to strengthen economic cooperation.</p> <p>The Sub-fund will seek to achieve its investment objective by investing mainly in a diversified portfolio of debt securities issued by governments, local public authorities, sovereign/supranational entities and companies which will directly or indirectly benefit from and/or invest in the “Belt and Road Initiative” and which are listed on major markets (qualifying as Regulated Markets) without any limitation in terms of country, capitalisation and industry allocation, and/or equity securities or UCITS and/or UCI with exposure in the Belt and Road Regions.</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 the following binding elements.</p> <ul style="list-style-type: none"> <li>Negative screening: exclusion of target issuers involved in controversial conduct and/or activities;</li> <li>ESG integration: investment in companies that contribute to the environmental and social objectives pursued by the Sub-fund.</li> <li>Consideration of principal adverse impacts</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>   | <p>Broadly, the Investment Manager’s approach to good governance is focused on 6 key themes, which shape the assessments carried out by the investment Manager. These are:</p> <ol style="list-style-type: none"> <li>Transparency: companies should provide accurate, timely and complete information that enables investors to make informed investment decisions and effectively carry out their stewardship activities.</li> <li>Accountability: robust shareholder rights and strong board oversight help ensure that management adhere to the highest standards of ethical conduct, are held to account for poor performance and responsibly deliver value creation for stakeholders over the long-term.</li> <li>Board Composition and Effectiveness: focused on the director election process, board size, board assessment and succession planning, definition of independence, board and committee independence, separation of Chair and CEO roles, attendance and overboarding and diversity.</li> <li>Long Term Stewardship of Capital: companies should responsibly raise and deploy capital towards the long-term, sustainable success of the business.</li> <li>Environmental, Social and Governance Risk Oversight: focus areas include director responsibility for risk oversight, reporting of financially material ESG information, shareholder</li> </ol>  |

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|  |   | <p>proposals addressing environmental or social issues and the ratification of board and/or management acts.</p> <p>6. Executive Compensation and Alignment: promote alignment between management incentives and shareholders' long-term interests. We pay close attention to local market practice and may apply stricter or modified criteria where appropriate.</p>  |
| <p><b>Proportion of investments</b></p> <p><b>Article 29 – SFDR L2</b></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 90% of its net assets to investments that are aligned to the promoted environmental and social characteristics. The above mentioned exclusions will be screened to the full investment universe. However, currencies, cash, money market instruments which are held for cash management and liquidity purposes will not be assessed for compliance with the above exclusion framework. For the avoidance of doubt, any derivatives used by the Sub-fund (regardless of purpose) will not be taken into consideration in this calculation. As a result, the calculation is therefore intended to represent the physical investments and holdings of the Sub-fund.</p>  <pre> graph LR     A[Investments] --&gt; B["#1 Aligned with E/S characteristics<br/>Min 90%"]     A --&gt; C["#2 Other"] </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>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. No minimum environmental or social safeguards are applied for these 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, including the ones related to the infringement of one or more of the ten principles of the United Nations Global Compact;</li> <li>are involved in specific activities (according to specific thresholds applied to the revenues deriving from such activities):</li> </ul>   |

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|  |  | <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> <li>○ Unconventional Oil and Gas such as arctic oil and gas exploration extraction, oil sands extraction and Shale Energy extraction</li> </ul> <p><b>ESG integration</b></p> <p>Target issuers having complied with the negative screening are further assessed using a proprietary categorisation system as well as external data of ESG rating providers, through which the Investment Manager will assign ESG grades (from “A” to “E”; “E” being the worst category) and ESG trends scores which inform the investment decision on the screened issuers.</p> <p>Concerning the investment in other UCITS and/or UCIs, including ETFs (the “target funds”), the target funds selection will focus on the ones which adhere to binding ESG criteria similar to the ones applied by the Sub-fund and incorporate them in their investment process.</p> <p><b>PAI consideration</b></p> <p>The Sub-fund considers principal adverse impacts on sustainability factors (“PAIs”) by carrying out a qualitative and quantitative review of key metrics (primarily the indicators as defined in Table 1 of the Annex I of the Commission Delegated Regulation (EU) 2022/128). The Sub-fund identifies priority investee entities using thresholds on each principal adverse impacts indicator and primarily engages through methods such as letters, meetings. If no improvement is established through such corporate engagement, then the Investment Manager may proceed to divest and/or exclude investments.</p> <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><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 negative screening, ESG integration 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><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> </ul> | <p>In order to assess companies around the controversial activities, Invesco uses a combination of data provided by 2 external data providers to assess compliance. However, this can be supplemented with other service providers where appropriate. For the Sub-fund’s additional exclusions, Invesco also uses a proprietary categorisation system as well as external data of ESG rating providers to inform the investment decision on the screened issuers. While there is broad coverage across the various systems,</p>   |



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|  | <ul style="list-style-type: none"> <li>the proportion of data that are estimated.</li> </ul>   | there is no one system that has complete coverage of the entire investment universe. As a result, the investment team will be responsible for conducting an assessment of companies for which data is not available, under the appropriate supervision and oversight of our investment compliance and ESG teams.  |
| <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>   | <p>The below outlines some of the key themes which contribute to limitations in the methodologies and/or data:</p> <ul style="list-style-type: none"> <li>Cash Management - Currencies, cash and money market instruments that are held for cash management/liquidity purposes may not be assessed for compliance within the above framework. Where cash equivalents are held for investment purposes, they will be compliant with the framework.</li> <li>Derivatives - Index derivatives will not be assessed on a look-through basis, unless such an index has a significant allocation to prohibited activities.</li> <li>Green bonds from ineligible entities - Bonds such as green bonds, climate bonds, social bonds as well as sustainability-linked bonds from companies that would ordinarily be ineligible may be eligible for inclusion by the sub-funds, subject to appropriate discussions between the investment and ESG teams.</li> <li>Government Debt - Government debt (with the exceptions of sanctions investments as mentioned above) are not covered by the policy, however, quasi-sovereign debt will be treated as corporate debt and therefore assessed against the framework.</li> <li>Securitised Debt - Securitised debt will be assessed based on the framework above, however, due to the nature of this asset class the certification process has been designed to ensure that we look at the property/collateral in making an assessment as to whether the debt is eligible under the framework (i.e. a revenue assessment does not make sense for Securitised Debt).</li> </ul> |
|  | <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>Article 34 – SFDR L2</b>                  |  |   |
| <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>Article 35 – SFDR L2</b>                  |  |   |

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| <p><b>Designated reference benchmark – Optional</b></p> <p><b>Article 36 – SFDR L2</b></p> | <p>In the website section ‘Designated reference benchmark’ referred to in Article 24, point (I), 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> |