

LUX IM – ESG PICTET GREEN ECOLOGY

Sustainability-related disclosures required for Article 9 financial products under the Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector

Preamble

LUX IM – ESG PICTET GREEN ECOLOGY (“the Sub-fund”) intends to invest in equity securities issued by companies that actively operate to solve environmental challenges. The asset allocation of the Sub-fund will focus principally on companies active in the following areas: renewable energy, pollution control, water supply, waste management & recycling, sustainable agriculture & forestry or dematerialized economy. As a consequence, the Sub-fund aims to positively contribute to a sustainable investment objective being a positive environmental and social impact, through investments in securities financing economic activities that contribute to climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, or protection and restriction of biodiversity and ecosystems, inclusive and sustainable communities, adequate living standards and well-being for end users, or decent work.

The investment strategy will invest at least 80 % of its net assets in environmentally or socially sustainable investments in economic activities in accordance with Article 2 (17) of Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (“SFDR”) that do not qualify under Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment (“EU Taxonomy Regulation”).

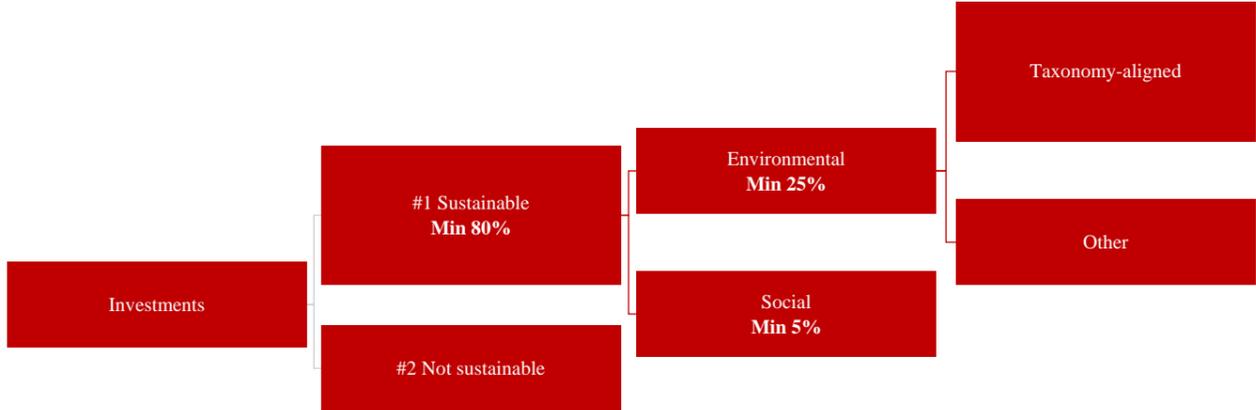
The Sub-fund is considering environmentally sustainable investments in economic activities in accordance with Article 3 of the EU Taxonomy Regulation.

No reference benchmark has been designated for the purpose of attaining the sustainable investment objective.

Sustainable Finance Disclosure Regulation Level 2 – Website Disclosure

Section	Regulatory Requirements	Disclosure
<p>Summary</p> <p>SFRD L2 Article 37, 38</p>	<p>In the website section ‘Summary’ referred to in Article 37, 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 have sustainable investment as their objective. The summary section shall have a maximum length of two sides of A4-sized paper when printed.</p> <p>The website section ‘Summary’ referred to in Article 37, 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>	<p>Please refer to the standardized 2 pager summary https://www.bgfml.lu/site/en/home/sustainable.html</p>
<p>No significant harm to the sustainable investment objective</p> <p>SFRD L2 Article 39</p>	<p>In the website section ‘No significant harm to the sustainable investment objective’ referred to in Article 37, point (b), financial market participants shall explain whether and why the investments of the financial product do no significantly harm any of the sustainable investment objectives, and provide all of the following information:</p> <p>a) 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;</p> <p>b) 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.</p>	<p>The Sub-fund considers and investment sustainable if it does no significantly harm to any environmental and/or social objective, which the investment team determines by using a combination of quantitative and qualitative assessment at issuer level. The assessments draw on both general and industry-relevant indicators, and include exposure to material sustainability risks. Periodic reviews and risk controls are in place to monitor implementation.</p> <p>The Sub-fund considers and, where possible, mitigates adverse impacts of its investments on environmental and social sustainability factors as per the indicators in Table 1 of Annex I of the SFDR through:</p> <ul style="list-style-type: none"> (i) exclusion of issuers associated with controversial conduct and/or activities; (ii) portfolio management decisions or active ownership activities. <p>Subject to data availability, the information regarding PAIs of the Sub-fund’s investments will be reported through the mandatory indicators and metrics proposed by SFDR. 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>Target issuers are assessed for their involvement in any doubtful activities in terms of international norms. Controversies in terms of environment, social, and governance are assessed as well as the target issuers’ compliance with or violations of global norms in terms of e.g. human rights, labour rights, bribery & corruption, child labour, discrimination, health & safety, forced labour through exclusions of the issuers involved in such controversial conduct.</p>

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<p>Sustainable investment objective of the financial product</p> <p>SFRD L2 Article 40</p>	<p>In the website section 'Sustainable investment objective of the financial product' referred to in Article 37, point (c), financial market participants shall describe the sustainable investment objective of the financial product.</p>	<p>The Sub-Fund intends to invest in equity securities issued by companies that that actively operate to solve environmental challenges. The asset allocation of the Sub-fund will focusing principally on companies active in the following areas: renewable energy, pollution control, water supply, waste management & recycling, sustainable agriculture & forestry or dematerialized economy. As a consequence, the Sub-fund aims to positively contribute to a sustainable investment objective being a positive environmental and social impact, through investments in securities financing economic activities that contribute to climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, or protection and restriction of biodiversity and ecosystems, inclusive and sustainable communities, adequate living standards and well-being for end users, or decent work.</p> <p>The investment strategy will invest at least 80 % of its net assets in environmentally or socially sustainable investments in economic activities in accordance with Article 2 (17) of Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector ("SFDR") that do not qualify under Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment ("EU Taxonomy Regulation").</p> <p>The Sub-fund is considering environmentally sustainable investments in economic activities in accordance with Article 3 of the EU Taxonomy Regulation.</p>
<p>Investment strategy</p> <p>SFRD L2 Article 41</p>	<p>In the website section 'Investment strategy' referred to in Article 37, point (d), financial market participants shall describe all of the following:</p> <ul style="list-style-type: none"> ▪ the investment strategy used to attain the sustainable investment objective; ▪ 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 Sub-fund aims to provide capital growth over the long term in a diversified portfolio of equity securities of companies listed on major stock exchanges without any limitation in terms of geographic, currency and market capitalization. The selected equity securities are issued by companies that actively operate to solve environmental challenges. As a consequence, the asset allocation of the Sub-fund will follow a thematic approach by focusing principally on companies active in the following areas: renewable energy, pollution control, water supply, waste management & recycling, sustainable agriculture & forestry or dematerialized economy.</p> <p>The Sub-fund is integrating the following sustainable investment considerations within its investment process:</p> <ul style="list-style-type: none"> • Negative screening: exclusion of target issuers involved in controversial conduct and/or activities; • Consideration of the ESG profile of the target issuers; • Investment in companies that contribute to the environmental and social objectives pursued by the Sub-fund. <p>Good governance practices are assessed for each target issuer during the investment due diligence process, as well as when the target issuers' investments will be held by the Sub-fund. The Investment Manager duly assesses: the composition of the executive team and board of directors, including the experience, diversity and distribution of roles; executive remuneration, including incentives and their alignment with investor interests; risk control and reporting, including auditor independence; shareholder rights and related-party transactions.</p>

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<p>Proportion of investments</p> <p>SFRD L2 Article 42</p>	<p>In the website section ‘Proportion of investments’ referred to in Article 37, point (e), financial market participants shall insert the information referred to in the section ‘What is the asset allocation and the minimum share of sustainable investments?’ in the template set out in Annex III to this Regulation 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 asset value in investments that are aligned with the pursued environmental and social objectives and qualify as sustainable investments under Article 2 (17) SFDR, including at least 25% and 5% in investments with an environmental objective and a social objective, respectively. Sustainable investment figures are calculated by counting fully issuers that have a significant exposure to economic activities that contribute to environmental or social objectives.</p>  <p><i>#1 Sustainable covers sustainable investments with environmental or social objectives.</i> <i>#2 Not sustainable includes investments which do not qualify as sustainable investments.</i></p> <p>To classify as sustainable investments, target issuers must derive a significant proportion of revenues, earnings before interest and tax (“EBIT”), enterprise value or similar metrics from economic activities that contribute to environmental or social objectives such as, but not limited to renewable energy, pollution control, water supply, waste management & recycling, sustainable agriculture & forestry or dematerialized economy. A target issuer that has such significant exposure, in terms of revenues, EBIT, enterprise value or similar metrics as described above, is considered as sustainable in its entirety.</p> <p>The Sub-fund commits to a minimum 1% of its net assets to sustainable investments with an environmental objective aligned with EU Taxonomy.</p> <p>Investments included under “#2 Not sustainable” relate only to either (i) derivatives used for hedging purpose or (ii) cash held as ancillary liquidity. Cash and derivatives held for hedging purposes, by their nature, cannot be subject to any minimum environmental or social safeguards. The Sub-fund’s minimum asset allocation, see above, is attained with direct exposures in issuers. Indirect exposure to issuers via UCITS or UCIs including ETFs are limited to 10% of the Sub-fund’s net assets in compliance with provisions set out in Article 41 (1) of the UCI Law.</p>
<p>Monitoring of the sustainable investment objective</p> <p>SFRD L2 Article 43</p>	<p>In the website section ‘Monitoring of the sustainable investment objective’ referred to in Article 37, point (f), financial market participants shall describe how the sustainable investment objective and the sustainability indicators used to measure the attainment of the sustainable investment objective are monitored throughout the lifecycle of the financial product and the related internal or external control mechanisms.</p>	<p>Target issuers are selected in accordance with the following binding elements:</p> <p>Negative screening</p> <p>Exclusion of target issuers that:</p>

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		<ul style="list-style-type: none"> ▪ 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) <ul style="list-style-type: none"> ○ controversial and nuclear weapons; ○ conventional weapons; ○ adult entertainment; ○ coal; ○ tobacco; ○ gambling ▪ Have poor ESG rating scores provided by reputable external ESG data providers. The objective is to achieve a better ESG profile than the one of a global equity universe. <p>Positive screening</p> <p>Target issuers having complied with the negative screening are further assessed in order to</p> <ul style="list-style-type: none"> ▪ invest at least 80% of the Sub-fund' net assets in sustainable investments (i.e. investment in companies that derive a significant proportion of revenues, earnings before interest and tax ("EBIT"), enterprise value or similar metrics from economic activities that provide solutions to environmental challenges such as energy efficiency, renewable energy, pollution control, water supply, waste management & recycling, sustainable agriculture & forestry or dematerialized economy); ▪ achieve a better ESG profile than the investment universe of the Sub-fund, as measured by various sources, such as proprietary fundamental analysis, ESG research providers, third party, by removing the bottom 20% of issuers with the weakest ESG characteristics. <p>The Sub-fund's investment in other UCITS and/or UCI, including ETFs ("target funds"), will focus on the target funds which adhere to similar ESG and sustainable investment criteria as the ones adopted by the Sub-fund.</p>
<p>Methodologies</p> <p>SFRD L2</p> <p>Article 44</p>	<p>In the website section 'Methodologies' referred to in Article 37, point (g), financial market participants shall describe the methodologies to measure the attainment of the sustainable investment objective and how the sustainability indicators to measure the attainment of that sustainable investment objective are used.</p>	<p>In order to attain the sustainable investment objective, the eligibility of target issuers 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> <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>Data sources and processing</p>	<p>In the website section 'Data sources and processing' referred to in Article 37, point (h), financial market participants shall describe all of the following:</p>	

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SFRD L2 Article 45	<ul style="list-style-type: none"> the data sources used to attain the sustainable investment objective of the financial product; 	<p>The investment manager of the Sub-fund is using internal research activity complemented with external research and data from specialised external providers.</p>
	<ul style="list-style-type: none"> the measures taken to ensure data quality; 	<p>In order to ensure data quality, the Investment Manager uses multiple data sources; regularly reviews data providers' business model, research process, expertise, data coverage, quality assurance mechanism and prevention of conflicts of interests.</p>
	<ul style="list-style-type: none"> how data are processed; 	<p>Once data is integrated into the Investment Manager's systems, the Investment Manager conduct quality controls on an ongoing basis to detect and address issues that negatively affect data usage. The data is used in order to implement the Negative Screening and Positive Screening mentioned above.</p>
	<ul style="list-style-type: none"> the proportion of data that are estimated. 	<p>The proportion of estimated data varies between research providers and geographies.</p>
Limitations to methodologies and data SFRD L2 Article 46	<p>In the website section 'Limitations to methodologies and data' referred to in Article 37, 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 37, point (g), and to the data sources referred to in Article 37, point (h); 	<p>Key limitations to applied methodologies may include a lack of data coverage and/or quality. To overcome these issues, methodologies are informed by reliable sources gathered from diverse reputable third-party research providers that are experts in their areas. In addition, the Investment Manager retains the right to deviate from third-party information on a case-by-case basis in instances where it is deemed incorrect or incomplete.</p>
	<ul style="list-style-type: none"> why such limitations do not affect the attainment of the sustainable investment objective. 	<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>
Due diligence SFRD L2 Article 47	<p>In the website section 'Due diligence' referred to in Article 37, 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 assessment and compliance mechanism in place.</p>
Engagement policies SFRD L2 Article 48	<p>In the website section 'Engagement policies' referred to in Article 37, point (k), financial market participants shall describe the engagement policies implemented where engagement is part of the sustainable investment objective, including any management procedures applicable to sustainability-related controversies in investee companies.</p>	<p>Interaction with issuers take the form of one-to-one discussions, shareholder/bondholder meetings, investor roadshows and/or conference calls. The objectives of these interactions are to assess an organisation before investment, monitor that their strategy is being implemented in line with expectations and ensure that issuers are on track to meet their goals and objectives. Where appropriate, the Investment Manager engages issuers on material ESG issues, including controversies, to satisfy that they fully understand and address them effectively over the short, medium and long term. The engagement activities include a combination of targeted in-house-led discussions, collaborative institutional investor initiatives, and third-party engagement services.</p>
Attainment of the sustainable investment objective SFDR L2	<p>In the website section 'Attainment of the sustainable investment objective' referred to in Article 37 point (l), financial market participants shall describe all of the following:</p>	
	<p>a) for financial products that have sustainable investment as their objective and for which an index has been designated as a reference</p>	<p>No reference benchmark has been designated for the purpose of attaining the sustainable investment objective.</p>

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<p>Article 49</p>	<p>benchmark, how that index is aligned with the sustainable investment objective of 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>b) for financial products that have a reduction in carbon emissions as their objective, a statement that the reference benchmark qualifies as an EU Climate Transition Benchmark or an EU Paris-aligned Benchmark as defined in Article 3, points (23a) and (23b), of Regulation (EU) 2016/1011, and a hyperlink to where the methodology used for the calculation of those benchmarks can be found.</p>	<p>Not applicable.</p>
	<p>Where the information referred to in paragraph 1 a) is published on the website of the administrator of the reference benchmark, a hyperlink shall be provided to that information.</p>	<p>Not applicable.</p>
	<p>Where no EU Climate Transition Benchmark or EU Paris-aligned Benchmark as defined in Article 3, points 23a and 23b, of Regulation (EU) 2016/1011 is available, the website section 'Attainment of the sustainable investment objective' referred to in Article 38 point (l), of this Regulation shall mention that fact and explain how the continued effort of attaining the objective of reducing carbon emissions is ensured in view of achieving the objectives of the Paris Agreement. Financial market participants shall explain the extent to which the financial product complies with the methodological requirements set out in Delegated Regulation (EU) 2020/1818.</p>	<p>Not applicable.</p>