

LUX IM – EURO ENHANCED CASH

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 – EURO ENHANCED CASH (“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 the environmental policy adopted by the target issuers; the resource efficiency; human rights; human capital development; community engagement) 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 70% 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 (such as but not limited to the environmental policy adopted by the target</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>issuers; the resource efficiency; human rights; human capital development; community engagement) in line with the Sub-fund’s defined environmental, social and governance (hereinafter “ESG”) investment strategy.</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; <ul style="list-style-type: none"> ▪ 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 generate a moderate capital appreciation while limiting drawdowns and volatility respectively in case of negative performance and/or high sensitivity of the markets in accordance with the investment policy described below.</p> <p>In order to achieve its investment objective, the Sub-fund (i) may invest directly up to 100% of its net asset in transferable debt securities issued by Governments, sovereign/supranational entities (the “Funding Investments); and (ii) will enter into total return swaps transactions (the “Swap Transaction”) in order to exchange the economic performance of its Funding Investments against payment of a floating rate received from the Swap Transaction’s counterparty and having similar characteristics -in terms of tenor and performance- as a monetary rate.</p> <p>The Funding Investments will be essentially comprised of debt securities issued by European Government and having at the time of their acquisition an initial or residual maturity above 18 months. As a general rule, the sub-fund may invest up to 100% of its net asset through its Funding Investments in debt securities issued by the Italian Government. Unrated debt securities may represent up to 10% of its net assets. Investments in distressed or defaulted debt securities (i.e. rated below CCC-) are not authorized. The Sub-fund may hold distressed or defaulted debt securities as a result of a downgrade of their issuers up to 5 % of its net assets. Distressed/defaulted securities will be sold as soon as possible, under normal market circumstances, and in the best interest of shareholders.</p> <p>Target investments are subject to the following sustainability indicators, in order to assess their eligibility for investment by the Sub-fund and thus to measure the attainment of the pursued environmental and social characteristics.</p> <ul style="list-style-type: none"> ▪ Negative screening: exclusion of target issuers involved in controversial conduct and/or activities; ▪ Positive screening: investment in issuers 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 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.</p>

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<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 70% of its net assets to investments that are aligned to the promoted environmental and social characteristics. The Sub-Fund does not use derivatives to attain its environmental or social characteristics.</p> <div data-bbox="1745 359 2436 642" data-label="Diagram"> <pre> graph LR A[Investments] --> B["#1 Aligned with E/S characteristics Min 70%"] A --> C["#2 Other"] </pre> </div> <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; (iii) securities of issuers not aligned with the promoted environmental or social characteristics and may be used within the Sub-fund’s investment objective of long term capital growth. Minimum environmental and social safeguards are applied to all direct investments in transferable securities through the implementation of 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 ESG analysis of the target issuers benefit from the appointment of an external data provider which leverage internal research activity complemented with external research and data provided by reputable external ESG data providers, and encompasses the following binding elements.</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;

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		<ul style="list-style-type: none"> ○ gambling; ○ oil sands and oil shale. <p>Positive Screening</p> <p>Target issuers having complied with the negative screening are further assessed through an ESG rating system based on the proprietary methodology of an external data provider and ranging from 1 to 5 (5 being the best rating). The external data provider leverages internal research activity complemented with external research and data provided by reputable external ESG data providers. The Investment Manager will invest in issuers that score above 3 across the whole investment universe, and those issuers will be further assessed through a quantitative/fundamental selection model. A maximum tolerance threshold of 20% of the Sub-fund's net assets will be invested in companies that are not rated and/or fall below the minimum accepted rating of 3. Nevertheless, the Sub-fund will not invest in securities with rating 2.5.</p> <p>PAI consideration</p> <p>The Sub-fund considers the following principal adverse impacts ("PAIs") indicators through the application of the following elements for direct investments in transferable securities:</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 as part of its monitoring of the controversial behaviour of the target issuers which include violations of the principles of the UN Global Compact and the guidelines of the OECD. The Sub-fund excludes, within its Negative Screening, investments in issuers linked to severe and systematic violations of UN Global Compact or OECD Guidelines for Multinational Enterprises, unless effective remediation actions are already in place; ▪ 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 Negative Screening, which excludes investments in issuers deriving any revenues from any controversial weapons. ▪ PAI indicator number 15 (GHG intensity): In relation to investments in securities issued by Governments, sovereign/supranational entities, the Sub-fund considers this PAI indicator as a component within the Environmental pillar of the ESG country model used, part of the ESG rating system developed by an external data provider, specifically focusing on two key categories: "Resource Efficiency" and "Climate Change". This indicator assesses the greenhouse gas (GHG) intensity of investee countries by examining their emissions in relation to their Gross Domestic Product (GDP). Within the "Resource Efficiency" category, an important indicator evaluates the current GHG emissions per capita of countries, rewarding countries that actively mitigate this PAI by reducing their emissions and penalizing those countries experiencing an upward trend in emissions. ▪ PAI indicator number 16 (Number of Investee countries subject to social violations): In relation to investments in securities issued by Governments, sovereign/supranational entities, the Sub-fund considers this PAI indicator as it plays a role

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		<p>within the ESG country model part of the ESG rating system developed by an external data provider, focusing on evaluating the number of investee countries that may be subject to social violations. These violations encompass actions or practices that contravene international treaties, conventions, United Nation principles, and relevant national laws, specifically focusing on two key categories: "Resource Efficiency" and "Climate Change". The ESG country model applies rigorous assessments and penalties to countries that have active sanctions reported by reputable sources such as the United Nations and the European Union.</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>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, positive 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>The ESG analysis of the target issuers benefit from the appointment of an external data provider which leverage internal research activity complemented with external research and data provided by reputable external ESG data providers</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; 	<p>The Investment Manager is supported by an external data provider that has defined a proprietary ESG scoring system considering various sustainability factors to prepare an ESG score per target issuer. The external data provider leverages internal research activity complemented with external research and data provided by reputable external ESG data providers or directly from the issuers. More specifically, the Investment Manager leverages on different main tools provided by the data provider among which (i) a corporate ESG rating model that allows to calculate ESG performance for corporate entities, (ii) an ESG Country model, which allows to evaluate ESG performance for sovereign issuers, (iii) assessment of controversial behaviour by corporate issuers, (iv) controversial activities exposure of corporate issuers.</p> <p>With reference to underlying raw data sourced directly from the target issuers and specialised external providers, the Investment Manager's external data provider ensures data quality addressing common issues associated with ESG data such as reliability, subjectivity, or lack of sufficient coverage by</p> <ul style="list-style-type: none"> - regularly reviewing the completeness, accuracy and consistency of the provided data; - using multiple data sources; - cleaning and normalising the provided data. - Integrating third-party data with data provided directly by the issuers - reviewing and assessing final results

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	<ul style="list-style-type: none"> how data are processed; 	<p>The data received by the external data provider are used by the Investment Manager to implement the Negative Screening, the Positive Screening and the PAI consideration.</p>
	<ul style="list-style-type: none"> the proportion of data that are estimated. 	<p>The Investment Manager's external data provider may make reasonable estimates, when data is lacking. Additionally, third party ESG data provider may use estimates themselves. The proportion of data that is estimated by the external data provider is indicated to be low, taking into account the nature of the target investments of the Sub-fund.</p>
<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); how such limitations do not affect how the environmental or social characteristics promoted by the financial product are met. 	<p>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's external data provider to allow for the application of the investment methodology.</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>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.</p>
<p>Designated reference benchmark – Optional</p> <p>Article 36 – SFDR L2</p>	<p>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.</p>	<p>No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-fund.</p>