

## Principal Adverse Impact Disclosure of investment decisions on sustainability factors

### Summary

Banque de Luxembourg (LEI: PSZXLEV07O5MHRRFCW56) considers the principal adverse impacts of its investment decisions on sustainability factors. This document is the consolidated disclosure of the principal adverse impacts on sustainability factors of Banque de Luxembourg and its branch, Banque de Luxembourg, Belgian branch.

This Principal Adverse Impact Disclosure covers a reference period from 1 January 2022 to 31 December 2022.

The table below describes the impact of the investment decisions of Banque de Luxembourg and its Belgian branch, taken as part of its discretionary management service, on the principal adverse impacts defined by Regulation (EU) 2019/2088 (the “SFDR”).

The results presented are the aggregation of the annual adverse impacts of the investments made during 2022. To best reflect the impact of our investment decisions, these figures have been weighted by the valuation of the Bank’s investments at 31 March 2022, 30 June 2022, 30 September 2022 and 31 December 2022. This report is based on annual data reported by our data provider, MSCI, extracted as at 14 February 2023.

## Description of principal adverse impacts on sustainability factors

### Principal adverse impacts – Reference period 01/01/2022 – 31/12/2022

Indicators applicable to investments in companies					
Indicator of adverse impacts on sustainability	Measurement item	Impacts [year 2022]	Explanation	Measures taken, measures planned and targets set for the following reference period	
<b>CLIMATE AND OTHER ENVIRONMENTAL INDICATORS</b>					
Greenhouse Gas (GHG) emissions	1.	GHG Emissions	Scope 1 GHG emissions <sup>1</sup>	131,559 <i>metric tonnes</i>	This indicator represents the 73% of investments for which data is available. For comparison purposes, this indicator (per million euros invested) is 18.12 for our investments, compared with 52.86 for the world equity index.  This indicator represents the 72% of investments for which data is available. For comparison purposes, this indicator (per million euros invested) is 9.05 for our investments, compared with 11.64 for the world equity index.  This indicator represents the 71% of investments for which data is available. For
			Scope 2 GHG emissions <sup>2</sup>	65,766 <i>metric tonnes</i>	
			Scope 3 GHG emissions <sup>3</sup>	1,383,599 <i>metric tonnes</i>	
By taking into account the GHG emissions of our investments, we have actively ensured that each of our management mandates has a minimum of 50% (66% respectively for SRI mandates) of assets with GHG emissions lower than their peer average (compared to a benchmark) over the period. This approach has been integrated into our responsible management policy and will be applied in the same way for the next reference period.					

<sup>1</sup> Scope 1 GHG emissions are direct GHG emissions from sources owned or controlled by the reporting entity. These emissions generally include sources such as the combustion of fossil fuels in owned or controlled facilities, emissions from company-owned vehicles and emissions from chemical processes.

<sup>2</sup> Scope 2 GHG emissions are indirect GHG emissions resulting from the consumption of electricity, heat or steam purchased or acquired. These emissions occur in facilities where electricity, heat or steam are generated, but are associated with the activities of the reporting entity.

<sup>3</sup> Scope 3 GHG emissions are all other indirect GHG emissions resulting from the reporting entity's activities, but which are not classified as scope emissions.

				comparison purposes, this indicator (per million euros invested) is 190.42 for our investments, compared with 439.36 for the world equity index.	
		Total GHG emissions	1,580,923 <i>metric tonnes</i>	This indicator represents the 72% of investments for which data is available.	
2.	Carbon footprint	Carbon footprint	218 <i>tonnes of CO<sub>2</sub> per million euros invested</i>	This indicator represents the 72% of investments for which data is available. For comparison purposes, in 2023, this indicator is 506.5 for the world equity index.	By taking into account the carbon footprint of our investments, we have actively ensured that each of our management mandates has a minimum of 50% (and 66% respectively for SRI mandates) of assets with a carbon footprint lower than their peer average (compared to a benchmark) over the period. This approach has been integrated into our responsible management policy and will be applied in the same way for the next reference period.
3.	GHG intensity of investee companies	GHG intensity of investee companies	758 <i>tonnes of GHG per million euros of revenue</i>	This indicator represents the 72% of investments for which data is available. For comparison purposes, in 2023, this indicator is 958.77 for the world equity index.	By taking into account the GHG intensity of our investments, we have actively ensured that each of our management mandates has a minimum of 50% (and 66% respectively for SRI mandates) of assets with a GHG intensity below the average intensity of their

					peers (compared to a benchmark) over the period. This approach has been integrated into our responsible management policy and will be applied in the same way for the next reference period.
4.	Exposure to companies active in the fossil fuel sector	Share of investment in companies active in the fossil fuel sector	<i>2.32% of investments made</i>	This indicator represents the 74% of investments for which data is available. For comparison purposes, in 2023, this indicator is 11.63% for the world equity index.	By taking into account exposure to companies active in the fossil fuel sector, we have actively ensured that all our management mandates are composed of a minimum of 50% (66% respectively for SRI mandates) of investments that are not made in companies active in the fossil fuel sector, or in investment funds with less than 5% exposure to companies active in the fossil fuel sector. Furthermore, our sectoral policy on non-conventional oil and gas excludes companies more than 25% of whose production is from non-conventional oil and gas. This approach has been integrated into our responsible management policy and will be applied in the same way for the next reference period.

	5.	Share of non-renewable energy consumption and production	<p>The share of energy consumption and production by investee companies from non-renewable energy sources compared with that coming from renewable sources, expressed as a percentage of total energy sources</p>	<p style="text-align: center;">68.16% <i>of investments made</i></p>	<p>This indicator represents the 61% of investments for which data is available. For comparison purposes, in 2023, this indicator is 72.95% for the world equity index.</p>	<p>By taking into account the share of non-renewable energy consumption and production of our investments, we have actively ensured that each of our management mandates has been composed of a minimum of 50% (66% respectively for SRI mandates) of assets with a share of non-renewable energy consumption and production below their peer average (compared to a benchmark) over the period. This approach has been integrated into our responsible management policy and will be applied in the same way for the next reference period.</p>												
	6.	Energy consumption intensity per high impact climate sector	<p>Energy consumption in GWh per million euros of sales revenue of investee companies, per sector with high climate impact</p>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">A: Agriculture, forestry and fishing</td> <td style="width: 20%; text-align: right;">0.02</td> </tr> <tr> <td>B: Mining and quarrying</td> <td style="text-align: right;">0.30</td> </tr> <tr> <td>C: Manufacturing industry</td> <td style="text-align: right;">0.88</td> </tr> <tr> <td>D: Electricity, gas, steam and air conditioning supply</td> <td style="text-align: right;">1.31</td> </tr> </table>	A: Agriculture, forestry and fishing	0.02	B: Mining and quarrying	0.30	C: Manufacturing industry	0.88	D: Electricity, gas, steam and air conditioning supply	1.31	<p>This indicator is representative of the 47% of investments for which data is available. For comparison purposes, in 2023, this indicator is equal to the indicators below for the world equity index:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">A: Agriculture, forestry and fishing</td> <td style="width: 20%; text-align: right;">0.02</td> </tr> <tr> <td>B: Mining and quarrying</td> <td style="text-align: right;">3.3</td> </tr> </table>	A: Agriculture, forestry and fishing	0.02	B: Mining and quarrying	3.3	<p>By taking into account the energy consumption intensity of each of the nine sectors with a high climate impact, we have actively ensured that all our management mandates are composed of a minimum of 50% (and 66% respectively for SRI mandates) of assets with an energy consumption intensity of less than 5 GWhs per million euros of sales revenue. This approach has been integrated into our</p>
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Biodiversity	7.	Activities negatively affecting biodiversity-sensitive areas	Share of investments made in companies with sites/premises located in or near to biodiversity-sensitive areas, if the activities of these companies have an adverse impact on such areas	0.11% <i>of investments made</i>	<p>This indicator represents the 74% of investments for which data is available. For comparison purposes, in 2023, this indicator is 0.16% for the world equity index.</p>	By taking into account activities that have an adverse impact on biodiversity-sensitive areas, we have actively ensured that all our management mandates are composed of a minimum of 50% (66% respectively for SRI mandates) of investments made either in companies that do not have an adverse impact on biodiversity-sensitive areas, or in investment funds with less than 1% exposure to																								

						companies with sites/premises located in or near biodiversity-sensitive areas. This approach has been integrated into our responsible management policy and will be applied in the same way for the next reference period.
Water	8.	Emissions to water	Tonnes of water discharges from investee companies, per million euros invested, weighted average	2.1 <i>metric tonnes per million euros invested</i>	This indicator represents the 9% of investments for which data is available. For comparison purposes, in 2023, this indicator is 1.4 for the world equity index.	By taking water discharges into account, and as soon as coverage is sufficient (50% of the universe), we will actively ensure that each of our management mandates is made up of a minimum of 50% (66% respectively for SRI mandates) of assets with an amount of emissions into water lower than their peer average (comparison with a benchmark) over the period. This approach has been integrated into our responsible management policy and will be applied in the same way for the next reference period.
Waste	9.	hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste produced by investee companies, per million euros invested, weighted average	0.3 <i>metric tonnes per million euros invested</i>	This indicator is representative of the 27% of investments for which data is available. For comparison purposes, in 2023, this indicator equals 2.88 for the world equity index.	Taking into account the ratio of hazardous waste and radioactive waste produced, and as soon as the coverage is sufficient (50% of the universe), we will actively ensure that each of our management mandates has

						been composed of a minimum of 50% (respectively 66% for SRI mandates) of assets with a amount of this kind of waste than their peer average (comparison with a benchmark) over the period. This approach has been integrated into our responsible management policy and will be applied in the same way for the next reference period.
<b>INDICATORS ON SOCIAL AND EMPLOYEE ISSUES, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY</b>						
Social and employee issues	10.	Violations of the United Nations Global Compact and the OECD Guidelines for Multinational Enterprises	Share of investment in companies that have been involved in violations of the principles of the United Nations Global Compact or the OECD Guidelines for Multinational Enterprises	0.12% <i>of investments made</i>	This indicator represents the 74% of investments for which data is available. For comparison purposes, in 2023, this indicator is 0.77% for the world equity index.	The Bank does not wish to invest in companies involved in violations of the United Nations Global Compact and the OECD Guidelines for Multinational Enterprises. It therefore aims to keep the proportion of investments covered by this indicator below 1% over the reference period. This approach has been integrated into our responsible management policy and will be applied in the same way for the next reference period.
	11.	Lack of processes and compliance mechanisms to monitor	Share of investment in companies that do not have a policy for monitoring compliance with UN Global Compact	36.14% <i>of investments made</i>	This indicator represents the 73% of investments for which data is available. For comparison purposes, in 2023, this indicator is	For this indicator, we have actively ensured that each of our management mandates has been composed of a minimum of 50% (66%



	compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	principles or OECD Guidelines for Multinational Enterprises, nor mechanisms for handling complaints or disputes		59.51% for the global equity index.	respectively for SRI mandates) of assets that lack processes and compliance mechanisms to monitor compliance with the principles of the United Nations Global Compact or the OECD Guidelines below their peer average (compared to a benchmark) over the period. This approach has been integrated into our responsible management policy and will be applied in the same way for the next reference period.
12.	Unadjusted gender pay gap	Average unadjusted pay gap between men and women in investee companies	10.80%	This indicator represents the 15% of investments for which data is available. For comparison purposes, in 2023, this indicator is 11.51% for the world equity index.	By taking into account the gender pay gap in our investments, and as soon as there is sufficient coverage (50% of the universe), we will actively monitor that all our management mandates observe a minimum of 50% (and 66% respectively for SRI mandates) of investments in companies with a pay gap below their peer average (compared to a benchmark) over the period. This approach has been integrated into our responsible management policy and will be applied in the same way for the next reference period.

	13.	Diversity within governance bodies	Average ratio of women to men in the governance bodies of the companies concerned, as a percentage of the total number of members	45.65	This indicator represents the 74% of investments for which data is available. For comparison purposes, in 2023, this indicator is 51.77 for the world equity index.	The Bank aims to comply with European guidelines, which seek to ensure that women account for at least 33% of all directorships in listed companies. This indicator is therefore targeted to be above 50. This approach has been extended by the Bank to all our investments and will be applied in the same way for the next reference period.
	14.	Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investment in companies involved in the manufacture or sale of controversial weapons	0.01% <i>of investments made</i>	This indicator represents the 74% of investments for which data is available. For comparison purposes, in 2023, this indicator is 0.43% for the world equity index.	The Bank does not wish to invest in companies involved in the manufacture or sale of controversial weapons. The Bank's sector policy on controversial weapons totally excludes companies exposed to controversial weapons and investment funds with more than 5% exposure to controversial weapons. This approach has been integrated into our responsible management policy and will be applied in the same way for the next reference period.
<b>Indicators applicable to investments in sovereign or supranational issuers</b>						
Environment	15.	GHG intensity	GHG intensity of investee countries	48 <i>metric tonnes per million euros invested</i>	This indicator represents the 93% of investments for which data is available.	The Bank has collected and integrated the data required to consider this indicator. Although the Bank wishes to aim for an improvement in this indicator over the long term,

						no commitment has been made with regard to the GHG intensity of countries for the next reference period. This approach will be re-evaluated in the next reference period.
Social	16.	Investee countries subject to social violations	Number of investee countries with social violations (in absolute numbers and as a proportion of the total number of investee countries), as defined by international treaties and conventions, UN principles or, where applicable, national law	Absolute number: 0 Country Proportion: 0%	This indicator represents the 60% of investments for which data is available.	The Bank does not wish to invest in countries where social standards are being violated. It therefore aims to keep the share of investments covered by this indicator below 1%. This approach has been integrated into our responsible management policy and will be applied in the same way for the next reference period.
<b>Indicators applicable to investments in real estate assets</b>						
Fossil fuels	17.	exposure to fossil fuels through real estate assets	Share of investments in real estate assets used in the extraction, storage, transport or production of fossil fuels	<i>Not applicable.</i>	<i>Not applicable.</i>	The Bank did not make any decisions to invest in real estate assets during the reference period. This type of investment is not envisaged in the management mandates for the forthcoming reference period. This approach will be re-evaluated in the next reference period.
Energy efficiency	18.	exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	<i>Not applicable.</i>	<i>Not applicable.</i>	
<b>ADDITIONAL CLIMATE AND OTHER ENVIRONMENTAL INDICATORS</b>						
<b>Indicators applicable to investments in companies</b>						
Emissions	19.	Investments in companies that have not	Share of investment in companies that have not taken steps to reduce	26.50%	This indicator represents the 73% of investments for which data is available.	The Bank has collected and integrated the data required to consider this indicator.

		taken steps to reduce their carbon emissions	their carbon emissions to comply with the Paris Agreement		For comparison purposes, in 2023, this indicator is 28.58 for the world equity index.	Although the Bank wishes to aim for an improvement in this indicator over the long term, no commitment to carbon reduction initiatives has been made for the next reference period. This approach will be re-evaluated in the next reference period.
<b>ADDITIONAL INDICATORS RELATING TO SOCIAL AND EMPLOYEE ISSUES, RESPECT FOR HUMAN RIGHTS AND ANTI-CORRUPTION AND ANTI-BRIBERY</b>						
<b>Indicators applicable to investments in companies</b>						
Social and employee issues	20.	Excessive remuneration ratio	Average ratio, for the companies concerned, of the total annual remuneration of the highest-paid individual to the median total annual remuneration calculated for all employees (excluding this individual)	215	This indicator represents the 44% of investments for which data is available. For comparison purposes, in 2023, this indicator is 274.13 for the world equity index.	The Bank has collected and integrated the data required to consider this indicator. Although the Bank wishes to aim for an improvement in this indicator over the long term, no commitment to carbon reduction initiatives has been made for the next reference period. This approach will be re-evaluated in the next reference period.

## Description of policies to identify and prioritise principal adverse impacts on sustainability factors

In accordance with the Sustainable Finance Disclosure Regulation (SFDR), the Bank takes into account the Principal Adverse Impacts (PAIs) of its investments in its range of discretionary management mandates.

The data on Principal Adverse Impacts (PAIs) is provided by an external financial data provider, MSCI, through the MSCI ESG Manager module. This service enables us to process data from a single source of raw data and to obtain harmonised and comparable data across the different asset classes. Some of the data relating to the impact of investments is provided by MSCI on only a proportion of the investments, or on the basis of data estimates made by MSCI, which may lead to a margin of error in the calculation of the above indicators.

Our Principal Adverse Impacts policy, approved by the Executive Committee on 21 June 2023, is based on setting thresholds at asset level and for each Mandate in order to measure the impact of our investment decisions. This policy lays down the responsibilities for its implementation within the framework of organisational strategies and procedures.

For each asset class, and for each of the principal adverse impacts, the Bank has set a threshold that is either fixed (for example, according to applicable EU recommendations or the thresholds set by the Bank's sector exclusion policies), or variable, according to negative impacts from comparable assets (one benchmark for each geographical region). These binding thresholds at fund or direct line level enable us to monitor the impact of our investment decisions and ensure that the assets held in our products correspond as closely as possible to the sustainability criteria defined by the Bank. Setting thresholds based not only on the desired sustainability of the portfolio, but also on the asset's geographical sector and industry, makes it possible to develop a pragmatic and flexible methodology for taking PAIs into account.

To reflect our clients' preferences more closely, the Bank has divided these indicators into the following four categories:

1. the climate and the environment (e.g. greenhouse gas emissions, the use of fossil fuels, etc.);
2. waste production and the use of water resources (e.g. production of hazardous waste, etc.);
3. the United Nations Global Compact (e.g. human rights abuses, inefficient anti-corruption processes, etc.);
4. social themes and employee rights (e.g. a lack of diversity within businesses).

In its discretionary management, the Bank has followed an approach that considers all of these categories. A minimum percentage of investments in these categories has therefore been determined for each management mandate in accordance with their individual objectives.

This approach aims to ensure that the positions held have lower adverse impacts than the market average for comparable assets, and that the management strategy as a whole has a limited adverse impact on environmental and social issues.

## Engagement policies

The ESG investment policy of the Bank for discretionary mandates and of its investment management company, BLI, is built on several separate yet interdependent pillars. In addition to sectoral policies

and analysis of the investment universe detailed above, BLI has also established an active shareholder engagement policy.

As part of its ESG investment policy and voting policy, BLI subscribes to the sustainable voting policy of Institutional Shareholder Services Inc. (ISS). This sustainability policy is designed to support shareholder resolutions based on standards that enhance long-term value for shareholders and stakeholders while also aligning the company's interests with those of wider society.

BLI also actively endeavours to engage with companies in an effort to improve the transparency of their ESG-related information and adjust their behaviour so as to encourage them to make changes or bring their practices into line with recognised international standards.

Candidates for investment and companies held in the portfolio are subject to constant monitoring to identify noteworthy ESG events that could affect the company's business model, its reputation and potentially therefore the Bank's investment case. Our team thus receives daily alerts via the MSCI ESG Manager platform for all notable controversies to which portfolio companies are subject.

The filter is initially based on the classification of controversies allocated by MSCI based on the degree of severity (minor moderate, severe and very severe). For external funds, controversies monitoring is carried out by fund managers in accordance with their investment policies. However, we also monitor controversies via the MSCI ESG Manager platform in order to restrict exposure to very severe controversies. Assets exposed to a very severe controversy must be withdrawn from the Bank's investment universe within three months of their change in status. Any asset classified as subject to a very severe controversy may no longer be proposed to our clients for investment. These assets will be divested within three months. In certain exceptional cases, the relevant asset may be held after in-depth qualitative and reasoned analysis by the Bank and approval by the SRI committee.

### References to international standards

Banque de Luxembourg does not rely on international standards at this stage.

### Historical comparison

As this is the first report prepared by the Bank, it does not provide a historical comparison of the principal adverse impacts. The first historical comparison will be available from the next reference period.