Statement on principal adverse impacts of investment decisions on sustainability factors

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Financial Market Participant

Banque de Luxembourg (LEI: PSZXLEV07O5MHRRFCW56)

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 2024 to 31 December 2024.

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 2024. 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 2024, 30 June 2024, 30 September 2024 and 31 December 2024. This report is based on annual data reported by our data provider, MSCI, extracted as at **16** April 2025.

This declaration is reviewed and updated every year, in accordance with regulatory requirements, and the updated version is published by 30 June at the latest.

In response to these findings, the Bank applies a strict policy aimed at limiting these impacts, in particular through binding thresholds, a sector exclusion policy and the monitoring of controversies. It is committed to building portfolios whose ESG indicators are better than those of comparable market indices, while adapting to clients’ preferences.

Description of the 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. Banque de Luxembourg thus undertakes to measure the 18 mandatory PAI indicators as well as two additional indicators that we consider to be important for the planet and for society as a whole.

Climate and other environment-related indicators:

1. Greenhouse Gas (GHG) emissions
2. Carbon footprint
3. GHG intensity of investee companies

4. Exposure to companies active in the fossil fuel sector
5. Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy
6. sources compared to renewable energy sources, expressed as a percentage of total energy sourcesEnergy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector
7. Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas, where activities of those investee companies negatively affect these areas
8. Tonnes of emissions to water generated by investee companies per million EUR invested, as a weighted average
9. Tonnes of hazardous waste and radioactive waste generated by investee companies, per million euros invested, as a weighted average
10. GHG intensity of investee countries
11. Share of investments in real estate assets involved in the extraction, storage, transport or production of manufacture of fossil fuels
12. Share of investments in energy-inefficient real estate assets

Social and employee matters, respect for human rights, anti-corruption and anti-fraud matters:

13. Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises
14. Share of investment in investee companies without policies to monitor compliance with UNGCprinciples or OECD Guidelines for Multinational Enterprises, or grievance/complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises
15. Average unadjusted pay gap of investee companies
16. Average ratio of female to male board members in invetee companies, expressed as a percentage of all board members
17. Share of investment in investee companies involved in the manufacture or selling of controversial weapons
18. Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as refffered to ininternational treaties and conventions, United Nations principles or, where applicable, national law

Additional climate and other environmental indicators

19. Share of investment in companies that have not taken steps to reduce their carbon emissions to comply with the Paris Agreement

Additional indicators relating to social and employee issues, respect for human rights and anti-corruption and anti-bribery

20. 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)

Principal adverse impacts – Reference period 01/01/2024 – 31/12/2024

Adverse sustainability indicator		Metric	Impact [year 2024]	Impact [year 2023]	Impact [year 2022]	Explanation	Action taken, actions planned and targets set for the next reference period
Climate and other environment-related indicators							
Greenhouse Gas (GHG) emissions	1. GHG Emissions	Scope 1 GHG emissions[1]	**130,711** *metric tonnes*	**218,267** *metric tonnes*	**131,559** *metric tonnes*	This indicator represents the 87% of investments for which data is available.	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[2]) of assets with GHG emissions lower than their peer average (compared to
		Scope 2 GHG emissions[3]	**68,780** *metric tonnes*	**95,098** *metric tonnes*	**65,766** *metric tonnes*	This indicator represents the 88% of investments for which data is available. For comparison purposes, this indicator (per million euros invested) is 13.73 for our investments, compared with 9.99 for the world equity index. Between 2022 and 2024, the observed change in	

[1] 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.

[2] SRI stands for socially responsible investment.

[3] 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.

Adverse sustainability indicator		Metric	Impact [year 2024]	Impact [year 2023]	Impact [year 2022]	Explanation	Action taken, actions planned and targets set for the next reference period
						scope 2 GHG emissions reflects an improvement in data coverage.	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.
		Scope 3 GHG emissions[4]	**1,775,821** *metric tonnes*	**2,020,608** *metric tonnes*	**1,383,599** *metric tonnes*	This indicator represents the 88% of investments for which data is available. For comparison purposes, this indicator (per million euros invested) is 291.63 for our investments, compared with 357.05 for the world equity index. Between 2022 and 2024, the change in Scope 3 emissions is primarily due to an improvement in data quality, and a more complete accounting of indirect emissions.	

[4] Scope 3 GHG emissions are all other indirect GHG emissions resulting from the reporting entity's activities, but which are not classified as scope 2 emissions.

Adverse sustainability indicator		Metric	Impact [year 2024]	Impact [year 2023]	Impact [year 2022]	Explanation	Action taken, actions planned and targets set for the next reference period
		Total GHG emissions	**1,980,242** *metric tonnes*	**2,333,973** *metric tonnes*	**1,580,923** *metric tonnes*	This indicator represents the 88% of investments for which data is available. The change in total GHG emissions observed is explained by the improvement in the calculation methodology, particularly for scope 2 and 3, which are better covered and more accurately estimated for the current reference period.	
	2. Carbon footprint	Carbon footprint	**274** *tonnes of CO_2 per million euros invested*	**337** *tonnes of CO_2 per million euros invested*	**218** *tonnes of CO_2 per million euros invested*	This indicator represents the 88% of investments for which data is available. For comparison purposes, in 2024, this indicator is 434.15 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

Adverse sustainability indicator		Metric	Impact [year 2024]	Impact [year 2023]	Impact [year 2022]	Explanation	Action taken, actions planned and targets set for the next reference period
							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	**511** *tonnes of GHG per million euros of revenue*	**771** *tonnes of GHG per million euros of revenue*	**758** *tonnes of GHG per million euros of revenue*	This indicator represents the 91% of investments for which data is available. For comparison purposes, in 2024, this indicator is 887.12 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

Adverse sustainability indicator		Metric	Impact [year 2024]	Impact [year 2023]	Impact [year 2022]	Explanation	Action taken, actions planned and targets set for the next reference period
							policy and will be applied in the same way for the next reference period.

Adverse sustainability indicator		Metric	Impact [year 2024]	Impact [year 2023]	Impact [year 2022]	Explanation	Action taken, actions planned and targets set for the next reference period
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	**4.49%** *of investments made*	**3.39%** *of investments made*	**2.32%** *of investments made*	This indicator represents the 91% of investments for which data is available. Between 2022 and 2024, the indicator of exposure to companies active in the fossil fuel sector reflects a significant improvement in the coverage and completeness of available data. For comparison purposes, in 2024, this indicator is 10.55% for the world equity index. Thanks to our responsible management approach, this exposure remains significantly lower than that of the world equity index, confirming the orientation of our investments towards a more sustainable trajectory.	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 which are made 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.

<table>
<tr><th colspan="2">Adverse sustainability indicator</th><th>Metric</th><th>Impact [year 2024]</th><th>Impact [year 2023]</th><th>Impact [year 2022]</th><th>Explanation</th><th>Action taken, actions planned and targets set for the next reference period</th></tr>
<tr><td rowspan="2"></td><td>5. Share of non-renewable energy consumption and production</td><td>Share of non-renewable energy consumption non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources</td><td>55.75%
of investments made</td><td>63.82%
of investments made</td><td>68.16%
of investments made</td><td>This indicator represents the 72% of investments for which data is available. For comparison purposes, in 2024, this indicator is 64.54% for the world equity index.</td><td>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.</td></tr>
<tr><td>6. Energy consumption intensity per high impact climate sector</td><td>Energy consumption in GWh per million EUR of revenues of investee companies, per high</td><td>A: Agriculture, forestry and fishing 0.02
B: Mining and quarrying 0.22</td><td>A: Agriculture, forestry and fishing 0.01
B: Mining and quarrying 0.22</td><td>A: Agriculture, forestry and fishing 0.02</td><td>This indicator represents the 55% of investments for which data is available. For comparison purposes, in 2024, this indicator is equal to the indicators below for the world equity index:</td><td>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%</td></tr>
</table>

Adverse sustainability indicator		Metric	Impact [year 2024]		Impact [year 2023]		Impact [year 2022]		Explanation		Action taken, actions planned and targets set for the next reference period
		impact climate sector	C: Manufacturing industry	1.98	C: Manufacturing industry	18.50	B: Mining and quarrying	0.30	A: Agriculture, forestry and fishing	0.02	respectively for SRI mandates) of assets with an energy consumption intensity of less than 5 GWh per million euros of sales revenue. This approach has been integrated into our responsible management policy and will be applied in the same way for the next reference period.
			D: Electricity, gas, steam and air conditioning supply	0.65	D: Electricity, gas, steam and air conditioning supply	0.72	C: Manufacturing industry	0.88	B: Mining and quarrying	0.22	
			E: Water supply; disposal of waste water, waste management and environmental rehabilitation activities	0.14	E: Water supply; disposal of waste water, waste management and environmental rehabilitation activities	0.19	D: Electricity, gas, steam and air conditioning supply	1.31	C: Manufacturing industry	1.98	
			F: Construction	0.03	F: Construction	0.07	E: Water supply; disposal of waste water, waste management and environmental rehabilitation activities	10.00	D: Electricity, gas, steam and air conditioning supply	0.65	
			G: Wholesale and retail trade; repair of motor vehicles and motorbikes	0.24	G: Wholesale and retail trade; repair of motor vehicles and motorbikes	0.27	F: Construction	0.07	E: Water supply; disposal of waste water, waste management and environmental rehabilitation activities	0.14	
			H: Transportation and storage	0.63	H: Transportation and storage	0.51	G: Wholesale and retail trade; repair of motor vehicles and motorbikes	0.20	F: Construction	0.03	
			L: Real estate	0.05	L: Real estate	0.08	H: Transportation and storage	0.54	G: Wholesale and retail trade; repair of motor vehicles and motorbikes	0.24	
							L: Real estate	0.60	H: Transportation and storage	0.63	
									L: Real estate	0.05	

Adverse sustainability indicator		Metric	Impact [year 2024]	Impact [year 2023]	Impact [year 2022]	Explanation	Action taken, actions planned and targets set for the next reference period
Biodiversity	7. Activities negatively affecting biodiversity -sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity -sensitive areas where activities of those investee companies negatively affect those areas	**9.31%** *of investments made*	**9.48%** *of investments made*	**0.11%** *of investments made*	This indicator represents the 90% of investments for which data is available. The change between 2022 and 2024 is mainly due to changes in the quality and coverage of available data. Despite this methodological evolution, our exposure remains lower than that of the global index (10.78% for 2024).	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 emissions to water generated by investee	**0.02** *metric tonnes per million euros invested*	**0.02** *metric tonnes per million euros invested*	**2.1** *metric tonnes per million euros invested*	This indicator represents the 10% of investments for which data is available. For comparison purposes, in 2024, this indicator is	By taking water discharges into account, and as soon as coverage is sufficient (50% of the universe), we

Adverse sustainability indicator		Metric	Impact [year 2024]	Impact [year 2023]	Impact [year 2022]	Explanation	Action taken, actions planned and targets set for the next reference period
		companies per million EUR invested, expressed as a weighted average				0.23 for the world equity index.	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.

Adverse sustainability indicator		Metric	Impact [year 2024]	Impact [year 2023]	Impact [year 2022]	Explanation	Action taken, actions planned and targets set for the next reference period
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	**2.98** *metric tonnes per million euros invested*	**1.31** *metric tonnes per million euros invested*	**0.3** *metric tonnes per million euros invested*	This indicator represents the 50% of investments for which data is available. The change in the indicator between 2022 and 2024 is mainly due to changes in the quality and coverage of available data. Our exposure remains lower than that of the global index (4.77 in 2024).	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 lower 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.
Indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters							
Social and employee matters	10. Violations of UN Global Compact and the OECD Guidelines	Share of investment in investee companies that have been involved in violations	**0.03%** *of investments made*	**0.05%** *of investments made*	**0.12%** *of investments made*	This indicator represents the 91% of investments for which data is available. For comparison purposes, in 2024, this indicator is 0.19% 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.

Adverse sustainability indicator		Metric	Impact [year 2024]	Impact [year 2023]	Impact [year 2022]	Explanation	Action taken, actions planned and targets set for the next reference period
	for Multinational Enterprises	of the UNGC principles or 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 compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investment in investee companies without policies tomonitorcompliance with UNGCprinciples or OECD Guidelines for Multinational Enterprises, or grievance/ complaints handling mechanisms to address	**0.83%** *of investments made*	**0.67%** *of investments made*	**36.14%** *of investments made*	This indicator represents the 91% of investments for which data is available. For comparison purposes, in 2024, this indicator is 0.49% for the world equity index.	For this indicator, 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 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.

Adverse sustainability indicator		Metric	Impact [year 2024]	Impact [year 2023]	Impact [year 2022]	Explanation	Action taken, actions planned and targets set for the next reference period
		violations of the UNGC principles or OECD Guidelines for Multinational Enterprises					
	12. Unadjusted gender pay gap	Average unadjusted pay gap of investee companies	**11.41%**	**8.64%**	**10.80%**	This indicator represents the 38% of investments for which data is available. The indicator's evolution is explained by more complete coverage and better data availability. This greater transparency makes it possible to identify more precisely the levers for action, in line with the Bank's commitments to professional equality. For comparison purposes, in 2024, this indicator is equal to 10.40% for the global 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.

Adverse sustainability indicator		Metric	Impact [year 2024]	Impact [year 2023]	Impact [year 2022]	Explanation	Action taken, actions planned and targets set for the next reference period
	13. Board gender diversity	Average ratio of female to male board members investee companies, expressed as a percentage of all board members	**51.71**	**49.42**	**45.65**	This indicator represents the 86% of investments for which data is available. For comparison purposes, in 2024, this indicator is 53.47 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 investee companies involved in the manufacture or selling of controversial weapons	**0.03%** *of investments made*	**0.01%** *of investments made*	**0.01%** *of investments made*	This indicator represents the 91% of investments for which data is available. In line with its sector policy, the Bank does not invest directly in companies involved in the manufacture or sale of controversial weapons. The slight change in the indicator is explained by indirect exposure via certain index-linked investments. Despite this, the Bank maintains a level of exposure well below that of the global equity index (0.34% for 2024).	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.

Adverse sustainability indicator		Metric	Impact [year 2024]	Impact [year 2023]	Impact [year 2022]	Explanation	Action taken, actions planned and targets set for the next reference period
Environmental	15. GHG intensity	GHG intensity of investee countries	**87.59** *metric tonnes per million euros invested*	**40.70** *metric tonnes per million euros invested*	**48** *metric tonnes per million euros invested*	This indicator represents the 91% of investments for which data is available. The change in the GHG intensity indicator reflects an improvement in data coverage and quality, enabling a more accurate assessment of the portfolio's carbon footprint.	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.

Adverse sustainability indicator		Metric	Impact [year 2024]	Impact [year 2023]	Impact [year 2022]	Explanation	Action taken, actions planned and targets set for the next reference period
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute numberand relative number divided by all investee countries), as reffered to in international treaties and conventions, United Nations principles or, where applicable, national law	Absolute number: **4.25** *Countries* Proportion: **4.01%**	Absolute number: **Not available** Proportion: **Not available**	Absolute number: **Not available** Proportion: **Not available**	This indicator represents the 99% of investments for which data is available. If an investment is made in countries where social standards are being violated, said investment shall remain negligible and be made passively, via indices for example. This indicator was not previously calculated due to a lack of data. Where exposure does exist, it results mainly from passive investments, notably via indices, and not from direct positions. The Bank remains fully committed to keeping this percentage low, in line with its responsible investment principles.	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.
Fossil fuels	17. exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction,	*Not applicable*	*Not applicable*	*Not applicable*	*Not applicable*	The Bank did not make any decisions to invest in real estate assets during the reference period. This type of investment is not

Adverse sustainability indicator		Metric	Impact [year 2024]	Impact [year 2023]	Impact [year 2022]	Explanation	Action taken, actions planned and targets set for the next reference period
		storage, transport or manufacture of fossil fuels					envisaged in the management mandates for the forthcoming reference period.
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	*Not applicable*	*Not applicable.*	*Not applicable*	*Not applicable*	

Table 2
Additional climate and other environmental-related indicators

Adverse sustainabilitw impact	Metric	Impact [year 2024]	Impact [year 2023]	Impact [year 2022]	Explanation	Action taken, actions planned and targets set for the next reference period

Emissions	4. Investments in companies without carbon emissions reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	**31.89%**	**21.32%**	**26.50%**	This indicator represents the 91% of investments for which data is available. For comparison purposes, in 2024, this indicator is 44% for the world equity index. The evolution of this indicator reflects an improvement in data coverage, enabling a more accurate assessment of the portfolio's reality. This increased transparency highlights issues that were previously only partially measured. Despite this, the Bank remains below the global equity index, which in 2024 stands at 44%.	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.

Table 3

Additional indicators for social and employee, respect for human rights and anti-corruption and anti-bribery matters

Adverse sustainability impact	Adverse impact on sustainability factors	Impact [year 2024]	Impact [year 2023]	Impact [year 2022]	Explanation	Action taken, actions planned and targets set for the next reference period

		(qualitative or quantitative)					
Social and employee matters	8. Excessive CEO pay ratio	Average ratio, within investee companies of the annual total compensation for the highest compensated individual to the median annual total compensation for all employees (excluding the highest-compensated individual)	**169.57**	**179.17**	**215**	This indicator represents the 67% of investments for which data is available. For comparison purposes, in 2024, this indicator is 280.59 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 of investment decisions 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. This approach aims to limit the environmental, social and governance impact of the Bank's investment decisions, while also ensuring that its management is in line with clients' increasing expectations and with European regulatory requirements.

1. Use of a specialised ESG data provider

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.

2. Methodology for taking PAIs into consideration

Our PAI policy, approved by the Executive Committee on 21 June 2023, is built on a structured methodology combining quantitative criteria and qualitative analysis and 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 mandatory PAIs, the Bank has set a tolerance threshold. These thresholds may be:

- Fixed, if they are based on recognised standards or on the Bank's sector exclusion policies (e.g. exclusion of businesses involved in controversial weapons or unconventional hydrocarbons);

- Variable, if they are determined on the basis of the average of comparable issuers categorised by geographical area, sector of activity, or business size (reference benchmark).

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, therefore guaranteeing that the overall composition of the portfolios demonstrates an ESG performance at least equivalent to, if not greater than, that of the comparable market universe.

The identification and prioritisation of PAIs is based on the following steps:

1. Collection and quantitative analysis of data provided by MSCI ESG Manager.
2. Qualitative evaluation by the Bank's ESG teams, particularly in order to interpret controversies, identify weak points and validate missing data.
3. Establishment of binding thresholds for assets: exceeding a threshold triggers an in-depth analysis and, where applicable, an alert or a divestment.

4. Escalation process in the event that a threshold is significantly exceeded or due to a sensitive situation (e.g. a “very severe” controversy). An internal SRI committee may be assembled in order to deliberate on the maintenance or withdrawal of an asset.
5. Automatic exclusion of issuers subject to serious ESG controversies. The assets in question must be divested within three months, barring exceptional circumstances approved by the SRI committee after a reasoned analysis.
6. Periodic reviews of the policy, taking into account any changes to the data, the regulatory framework, and market practices.

To reflect our clients’ preferences more closely, the Bank has divided these indicators into the following four categories, each of which is associated with specific objectives:

1. 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. At least 50% of each portfolio should be made up of assets aligned with this criteria for classic mandates, and 66% for SRI mandates.

This approach aims to limit the negative effects of investments on environmental, social and governance issues as much as possible, while ensuring rigorous, coherent and transparent management. The Bank maintains a clear objective: making sure that the negative impact indicators of its investments are, as far as possible, better than those of comparable market indices.

3. Distribution of responsibilities in the implementation of the policy

The implementation of this policy is based on the clear organisation of responsibilities within the Bank:

- The Executive Committee is responsible for the approval of the ESG and PAI policy. It approves the thresholds and the strategic directions relating to sustainability;

- The SRI (Socially Responsible Investment) Committee is in charge of decision-making regarding sensitive situations, assessing critical controversies, and approving exclusion or maintenance-related decisions. It also acts as an approval body for exceptional derogations;

- Private Banking Investments (PBI) ensures the operational management of the system: it collects and processes data via MSCI ESG Manager, monitors thresholds, performs qualitative analyses, sends alerts, and reports to the SRI Committee;

- Portfolio managers are informed of alerts and are responsible for implementing decisions taken, including divestment or capping exposure;

- The Compliance and Risk Management function ensures that thresholds and policies are applied consistently, in compliance with the European regulatory framework (SFDR, Taxonomy, etc.);

- The CSR team monitors the regulatory environment on an ongoing basis, particularly in the event of changes to the SFDR framework, to ensure that internal practices are aligned. It carries out regulatory gap analyses, assists PBI in drafting the PAI report, coordinates internal contributions, and ensures that the report is updated to ensure compliance in the event of regulatory changes;

- The CSR Management Committee, made up of members of the Executive Committee and the Bank's CSR and ESG officers, approves the declaration before it is published and ensures that the CSR strategy is consistent with the objectives defined by the Bank.

4. Processing of missing data

Where information on any of the PAI indicators used by the Bank is not readily available or data coverage is incomplete, we make reasonable efforts to process and interpret it, while ensuring the consistency and rigour of our approach.

Where critical information is missing, the Bank may:

- Carry out additional research into companies' public reports (annual report, CSR report, climate statements, etc.);
- Cooperate with the MSCI data provider to obtain clarifications on the applied estimation methodologies or assumptions;
- And, where appropriate, make reasonable assumptions based on sector comparisons or conservative approaches.

The assumptions made are always documented internally, and are only used for guidance or indicative categorisation purposes; never to justify a critical investment decision if the uncertainty is too high.

The Bank is gradually improving the quality and coverage of the ESG data it uses. This includes regular monitoring of changes proposed by MSCI, assessment of coverage rates by indicator and reinforcement of the reliability criteria applied to estimated or proxy data.

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.

1. Objectives of the ESG investment policy

The objectives of this engagement policy are as follows:

- To actively limit the principal adverse impacts of investments on environmental, social and governance issues;
- To promote transparency, responsibility and sustainability in the companies in receipt of financing.

The policy is revised periodically to adapt to regulatory changes, feedback and the increasing expectations of clients in terms of responsible investment.

2. **Exercising voting rights**

As part of its ESG investment policy and voting policy, **BLI** (whose funds represent a large proportion of the Bank's discretionary management) subscribes to the sustainable voting policy of Institutional Shareholder Services Inc. (ISS). This policy supports 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. In particular, it takes the following into account:

- The composition and diversity of Boards of Directors;
- Remuneration policies that are fair and aligned with sustainable performance;
- Management of ESG risks, particularly climate risks;
- Responsible tax, social and environmental practices.

3. **ESG controversy management and divestment policy**

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. In order to strengthen our vigilance with regard to companies presenting increased ESG risks, the Bank has implemented a warning system: our team 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 to moderate;
- Severe;
- 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 avoid exposure to very severe controversies. The divestment policy is very strict. Assets exposed to a very severe controversy are withdrawn from the Bank's investment universe within three months of their change in status.These assets can no longer be offered for investment to our clients until their status has changed.In exceptional cases, an asset exposed to a controversy deemed to be very severe may be temporarily maintained in the portfolio, subject to strict conditions. This exception may only be considered if an in-depth qualitative analysis demonstrates that the issuer concerned has undertaken credible corrective measures and that a substantial improvement is expected in the short term. An exception of this kind can only be granted after explicit approval by the SRI Committee, on the basis of a reasoned case. For the duration of the exception, the asset concerned is subject to enhanced monthly monitoring, and may be withdrawn immediately if the situation deteriorates further.

References to international standards

Banque de Luxembourg does not rely on international standards at this stage. However, its responsible investment practices are inspired and influenced by a number of international benchmark standards, which are recognised foundations of the sustainable financial sector. Among these frameworks, the Principles for Responsible Investment (UN PRI), developed under the auspices of the United Nations, play an important role in guiding the ESG practices of the Bank and its asset management company

BLI. These principles encourage the systematic integration of ESG factors into investment decision-making processes, as well as transparency.

Historical comparison

Comparative PAI analysis of sustainability factors between the years 2022, 2023 and 2024 shows an overall positive trajectory for the integration of ESG criteria into the Bank's investment decisions. In 2024, a significant improvement was observed on several major environmental indicators, including a significant decrease in total GHG emissions compared to 2023 (from 2,333,973 to 1,980,242 metric tonnes), consistent with the decrease in the carbon footprint (from 337 to 274 tonnes of CO_2 per million euros invested). This trend reflects the Bank's ongoing efforts to integrate lower-emission assets, in particular through the gradual exclusion of companies with high exposure to fossil fuels and the selection of issuers committed to the energy transition.

The share of investments in companies active in the fossil fuel sector nevertheless increased between 2022 and 2024 (from 2.32% to 4.5%), although it remains well below that of the world equity index (10.55% in 2024). This one-off increase should be seen in the context of the strategic adjustments made to certain thematic portfolios, while respecting the strict thresholds set by the sector exclusion policy. At the same time, the proportion of non-renewable energy consumption has continued to fall (from 68.16% in 2022 to 55.75% in 2024), a sign of the increased alignment of investments with more energy-sustainable businesses.

Progress is also visible from a social point of view: the proportion of investments in companies involved in violations of the principles of the United Nations Global Compact fell from 0.12% in 2022 to 0.03% in 2024, reflecting a better selection of counterparties and a strengthening of the ethical filter. Similarly, the indicator for diversity within governance bodies continues to improve, reaching 51.71% in 2024, compared with 45.65% in 2022. However, certain social indicators show variations that should be monitored, such as the gender pay gap, which, after decreasing in 2023, began to rise again in 2024 (11.41%, compared with 8.64% the previous year), although it has improved significantly since 2022.

The indicator for investments in companies that have not taken steps to reduce their carbon emissions (in line with the Paris Agreement) has deteriorated (31.89% in 2024 compared with 21.32% in 2023), suggesting a need for greater vigilance regarding the climate commitment of portfolio companies, particularly in carbon-intensive sectors.

Finally, some of the differences between years can also be explained by changes in the quality and coverage of the data available. While 2022 still suffered from methodological shortcomings and partial ESG coverage for several indicators (particularly waste, water discharges and sectoral energy intensity), 2024 has the benefit of much more robust data thanks to more developed reporting systems, closer collaboration with the supplier MSCI, and the systematisation of exclusion and assessment thresholds in the Bank's investment policy.

In conclusion, the increase in ESG performances measured between 2022 and 2024 reflects the increased commitments of the Bank towards sustainable finance. Despite some one-off increases and persistent data limitations, the overall trajectory is consistent with responsible management objectives. The Bank's ambition remains to converge its portfolios towards a sustainable performance superior to that of the benchmark indices, while strengthening its ability to select, monitor and withdraw from issuers that are least aligned with sustainability issues.

Best efforts: approach, data limitations and use of proxy data

The Bank applies a “best efforts” approach to the consideration of PAIs on sustainability factors. This means that the bank is committed to using the best available information sources, deploying reasonable means to improve coverage and ensuring maximum transparency with regards to the limitations of ESG data analysis.

1. Data sources

The data used to measure sustainability indicators and PAIs comes from the external supplier MSCI, via the MSCI ESG Manager platform. This provider is internationally recognised for the quality, methodology and standardisation of its ESG data, covering a broad universe of issuers. MSCI provides the Bank with the following:

- Quantitative data from companies' regulatory publications (annual reports, CSR declarations, etc.);
- Internal estimates or modelling where data is not available (particularly on GHG emissions or social indicators for SMEs or non-European companies);
- Qualitative analyses, particularly of controversies, ESG ratings and governance practices.

2. Data limitations

Despite the use of a specialist supplier, certain limitations remain, particularly for certain indicators defined by the SFDR. The main limitations observed are as follows:

- Data coverage is not yet exhaustive, particularly for certain indicators such as water discharges, hazardous waste production and the gender pay gap;
- Some issuers, particularly smaller companies and those based outside the European Union, do not yet systematically publish their ESG data, making access to information more difficult and/or less reliable;
- Some of the data is based on modelling or extrapolation, particularly in the case of GHG emissions (scope 3), for which calculation methods vary greatly from one player to another;
- There may be methodological differences between sectors or geographical areas, which may sometimes limit the direct comparability of results.

The Bank recognises these limitations and takes them into account when interpreting its indicators. Margins of uncertainty may therefore exist, particularly in the consolidated aggregates.

3. Use of proxy data

Where accurate data is not available, or not available for a given indicator, the Bank uses proxy data offered by MSCI, where possible. This proxy data may be presented as follows:

- Statistical estimates calculated on the basis of comparable sectoral or regional data;
- Averages from groups of similar issuers (categorised by size, sector or location);
- Or conservative values, based on reference scenarios.

Proxy data is systematically identified as such in the Bank's internal analyses. It is used with discretion, taking care not to distort the interpretation of the overall results.

4. Commitment to continuous improvement

Being aware of the current limitations of the market in terms of ESG data, the Bank is committed to continuously improving the quality, reliability and coverage of its data. To this end, a number of actions have been undertaken:

- Regular dialogue with MSCI, to understand and monitor changes in rating and data collection methodologies;

- Strengthening internal skills, particularly in the analysis and validation of ESG indicators;

- Exploring alternative or complementary data sources that can provide a more detailed and up-to-date view of sustainability issues.

Through this approach, the Bank complies with its transparency obligations while adapting to regulatory developments and the increasing expectations of stakeholders in terms of sustainable finance.