BANQUE DE LUXEMBOURG

Product disclosure regarding sustainability for the Discretionary Socially Responsible Funds Mandate

Summary

The discretionary socially responsible funds mandate (hereinafter the "Mandate") aims to direct investments in such a way as to limit adverse impacts on the climate and environment, and encourage adherence to the principles of the UN Global Compact. By choosing our socially responsible funds mandate solution, you are opting for a meaningful investment that allocates your assets across various financial instruments that comply with environmental and social criteria.

The assets in the Mandate are carefully chosen by our teams from our investment universe made up of companies with transparent operations and clear business models.

We respect your decision to choose investments that will make a positive impact, by establishing demanding criteria based on data provided by MSCI ESG Manager[1]:

- we ensure that the data properly reflects the impact of the portfolio by requiring **ESG data for at least 90% of the assets**;
- we guarantee the responsible nature of the portfolio by requiring at least 75% of the assets covered to have an **ESG rating of at least BBB, and the portfolio to have an average rating of at least AA**;
- we limit the principal adverse impacts of the Mandate by aiming to align **at least 66%** of the investments with the Bank's objectives.

As well as promoting environmental and social characteristics, this product aims to invest **at least 5% of its portfolio in sustainable investments.**

The proportion of the portfolio invested in assets considered to be sustainable investments pursues several environmental and social objectives aligned with the United Nations Sustainable Development Goals (UN SDGs). Funds and trackers are selected for their positive contribution to these themes, based around four main themes: climate change, natural capital, basic needs, autonomy and empowerment.

Assets defined as sustainable investments must comply with the following criteria:

- Make a positive contribution to an environmental and/or social objective, with a percentage of revenue aligned with the UN SDGs;
- Have a minimum ESG rating of BB;
- Have zero exposure to any severe or very severe environmental or social controversies, and no activities in sectors excluded by the Bank's sector policies.

The definition of a sustainable asset may vary according to the individual company based on the nature of its business, its choice of methods, and its data sources. By opting for alignment with the UN SDGs, the Bank has taken a deliberately cautious approach, which may result in low percentages of sustainable instruments within a portfolio. While these percentages of sustainable assets may appear conservative, they reflect a prudent methodological approach.

The Mandate's investment strategy of engagement is supported by the implementation of regular controls at the investment universe level. Candidates for investment and companies held in the

[1] MSCI is a financial data provider selected by the Bank.

portfolio are subject to constant monitoring to identify noteworthy environmental and social events that could affect the company's business model, its reputation and potentially therefore the Bank's investment case. The implementation of sector policies and the analysis and monitoring of controversies allows us to ensure that the investments made correspond to certain prerequisites to respond to the sustainability criteria defined by the Bank.

When you choose the discretionary socially responsible funds mandate, you choose to invest in companies that offer solutions to tomorrow's challenges, and to combine performance with meaningful investment.

No sustainable investment objective

This financial product promotes environmental or social characteristics, but does not have as its objective sustainable investment.

The Bank ensures that the sustainable investments, as defined in the previous section, do not have a significant impact on an environmental or social objective by testing the "do no significant harm" principle. In particular, this involves:

- The exclusion of assets that do not respect the principles of the UN Global Compact;
- The exclusion of assets with an MSCI ESG rating of CCC and B;
- monitoring and restricting exposure to assets subject to severe or very severe controversies;
- Restricting exposure to securities active in certain sectors such as defence, tobacco and alcohol.

An asset with insufficient data coverage (e.g. investment funds with underlyings that are not assessed by MSCI) cannot be considered a sustainable investment.

All assets included in this Mandate are tested for consideration of the principal adverse impacts on sustainability factors.

For each asset class, and for each of the principal adverse impacts that must be considered, the Bank has set a threshold that is either fixed (according to EU recommendations or the Bank's sector exclusion policies), or variable, according to a regional average of adverse impacts from comparable assets.

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

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

In its discretionary management, the Bank follows an approach that considers all of these categories. At least 66% of the investments of this Mandate must respect these categories. This approach ensures that the positions held are better than the market average for adverse impacts, and that the portfolio as a whole has less of an adverse impact on environmental and social issues. More information on this consideration will be disclosed in this Mandate's periodic reports.

Information on consideration of the principal adverse impacts on sustainability factors will be published and disclosed in the section entitled "How does this financial product consider principal adverse impacts?" included in the periodic reports of this Mandate

In addition, this consideration is strengthened by the definition of sustainable investment adopted by the Bank. It results in the exclusion of assets with an MSCI ESG rating of CCC and B. This rating is calculated based on 35 indicators including some of the principal adverse impacts indicators shown in Table 1 of Annex I to the RTS SFDR (greenhouse gases, hazardous waste and radioactive waste, carbon footprint etc.)

Ruling out assets with an MSCI ESG rating of CCC or B, we prioritise sound governance practices aligned with OECD and UN guidelines on human rights.

Environmental or social characteristics of the financial product

The Mandate aims to direct investments in such a way as to limit adverse impacts on the climate and environment, and encourage adherence to the principles of the UN Global Compact. Furthermore, management of the Mandate is based on monitoring environmental and social controversies, respect for the UN Global Compact principles and the Bank's sector exclusion policies. Lastly, this Mandate ensures that the companies in which investments are made apply good governance practices.

The Mandate invests in external and Banque de Luxembourg Investments (BLI) funds and trackers, which are mainly classed as Article 8 or Article 9 products under Regulation (EU) 2019/2088 (SFDR). These funds follow several ESG approaches: exclusions, ESG integration, engagement, etc.

Funds are selected for the strength of their ESG approach, their fundamental financial approach and their long-term performance potential.

The Mandate is therefore classified as an Article 8 product under the SFDR. A reference benchmark has not been designated for the attainment of this product's environmental and social characteristics.

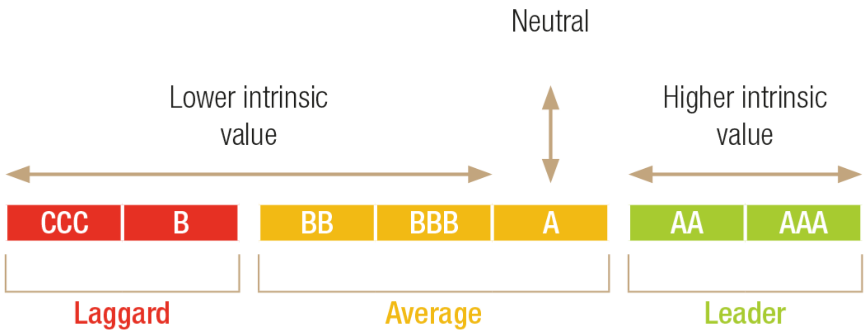
The Bank has selected a number of sustainability indicators to measure the limitation of adverse impacts on the climate and environment, and adherence to the UN Global Compact:

- Alignment with the Sustainable Development Goals defined by the United Nations ("SDGs");
- Limitation of the principal adverse impacts of investments made by the Mandate, with the aim of having at least 66% of the portfolio investments aligned with the limits set by the Bank;
- A quantitative approach based on ESG ratings established by our data provider MSCI ESG Research.

MSCI's ESG ratings are aimed at measuring a company's management of financially relevant ESG risks and opportunities. This method is based on rules for identifying industry leaders and laggards according to their ESG risk exposure, and the way in which they manage these risks relative to their peers.

This approach uses the following criteria:

- To ensure that the data is properly representative of the portfolio, at least 90% of the assets under management must be covered by MSCI ESG Manager;
- At least 75% of the assets covered by MSCI (excluding cash and gold) must be rated at least BBB;
- The overall rating of the portfolio must average at least AA.



Investment strategy

The differentiating feature of the socially responsible funds mandate is that all your assets are invested in a selection of socially responsible investment funds managed by third parties or by BLI.

Various long-term growth themes addressing ESG issues may be included in the equity component. The fixed income component via funds may be fully invested in the bond market, and corporate bonds in particular. This component can also include different ESG themes, such as green bonds.

Assessment of investee companies' good governance practices involves:

- Monitoring and analysing controversies, especially social. The Bank has implemented an exclusion policy for assets exposed to controversies classified as very severe by our data provider. This monitoring may be supplemented by the Bank's qualitative analysis;
- A quantitative approach based on the ESG ratings for companies provided by our data provider and the exclusion of companies with an MSCI rating of CCC. These ratings are designed to measure the ability of companies to manage the ESG risks and opportunities linked to their businesses and operations. They give an overview of companies' ability to manage resources, including human capital, sustainably, to guarantee operational integrity on the basis of sound management practices, and to comply with relevant standards including tax legislation. An MSCI ESG rating of BB or higher illustrates a company's ability to manage its resources, mitigate principal risks, seize opportunities, and meet basic corporate governance expectations. The use of MSCI ESG ratings as a basic measure of good governance encompasses four aspects of such practices.

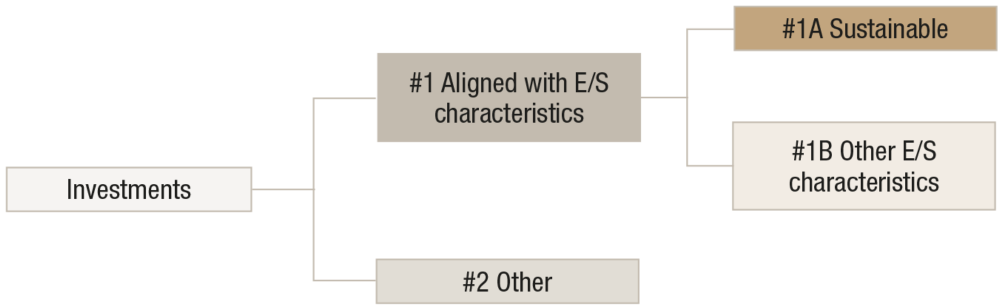
Proportion of investments

The Mandate's objective is to have at least 75% of investments aligned with the environmental and social characteristics promoted by the Mandate (#1).

As well as promoting environmental and social characteristics, this product aims to invest at least 5% of its portfolio in sustainable investments (#1A).

To ensure that our approach is coherent, the weight of environmentally and socially sustainable investments is defined as follows: the positive contribution percentage (environmental and social) is multiplied by the weight of the asset (market value) in the portfolio.

The Mandate's remaining assets (#2) include any cash and gold reserves, as well as investments made for diversification and/or hedging purposes, which may not be considered to promote environmental or social characteristics due to a lack of data from our data provider, but which – after qualitative analysis by the Bank – respect the restrictive characteristics and features specified for the Mandate.



Monitoring of environmental or social characteristics

To supplement the ESG approach specific to each of the funds that make up the managed portfolio, the Bank also conducts quantitative analysis at portfolio level.

- Our aim is for the average rating of the portfolio to be AA or higher. This average rating reflects the weighted sum of MSCI ESG scores for the different funds, which is then converted into a rating between AAA and B. Assets with a score of CCC may not be held in the Mandate.
- To ensure that the data is properly representative of the portfolio, we aim for coverage of at least 90% of the assets (excluding cash and gold) by MSCI ESG Manager.
- We also aim for at least 75% of assets to be defined as "responsible", i.e. rated at least BBB on the MSCI ESG Manager scale, this proportion (75%) being determined after excluding out-of-scope assets (cash and gold).
- Lastly, at least 5% of the product's assets will be assets that the Bank considers to be sustainable investments.

This approach is supplemented by:

- Consideration of the principal adverse impacts based on a definition of restrictive thresholds;
- Consideration of controversies (based on information provided by MSCI and exclusion of controversies deemed to be the most severe);
- The introduction of and compliance with sector policies (limiting or directly excluding the selection of products linked to certain industries such as coal).

Methodologies

In-depth qualitative analysis is carried out to assess the solidity of the management process, and the environmental, social and governance (ESG) approach of the assets in our universe in particular. To that end, various approaches may co-exist:

- **The best-in-class approach**, which seeks to select companies with the best environmental, social and governance practices in their sector or industry;
- **The ESG integration approach**, which places equal emphasis on financial and non-financial criteria;
- **The thematic approach**, which targets a specific area, such as the environment, water management or gender parity;
- **Impact investing**, which aims to generate a positive environmental or social impact. The key features of impact investing are its intentionality and the measurability of the impact.

In addition to **qualitative analysis** of asset management processes, our selection team tries to determine whether the management company itself also behaves in a thoughtful, sustainable way. To that end, our analysts have put together a questionnaire that allows them to understand the extent to which the management company under review has weighed up sustainability risks and opportunities. This questionnaire serves as a point of reference when identifying the target management company's positioning on sustainable investment, its philosophy and the concrete measures it has implemented.

Our system also includes a **quantitative element**, which means that it relies on external ratings of the various vehicles. To do so, we use MSCI ESG scores, which rate the various assets and funds according to their ESG risk on a scale of 1 to 10.

Data sources and processing

The assets that make up our recommended investment universe are being gradually classified using a sustainability scale with a view to achieving complete coverage of our universe. For this, we rely on the analysis of the external data provider, MSCI, and on the data provided by the MSCI ESG Manager module.

MSCI carries out its analysis of assets based on data:

- published directly by companies (e.g. sustainability reports, annual reports, regulatory reports, websites, etc.);
- published indirectly via governmental agencies, professional associations and financial data providers; and
- obtained by contacting the relevant companies directly.

In some instances, in order to compensate for missing data, MSCI may make estimates based on a proprietary methodology using various external data sources (from a variety of media, non-governmental associations and other market participants).

In order to guarantee the quality of the data used, we analyse the coverage of this data and define the minimum coverage thresholds required for the principal adverse impacts to be included in the Bank's investment decisions. In our view, an asset reporting indicators on a low proportion of its investments does not guarantee sufficient data quality to impact the investment decisions of the product.

In order to assess the ESG risks of a company, MSCI determines the main risks for the sector to which it belongs, then assesses its ability to manage the various ESG risks identified in comparison to its direct competitors. Companies which manage these risks best will be given a high score within their sector (best-in-class approach). This extra-financial approach compares companies within their individual business sector to determine those that are best positioned with regards to their understanding of the risks and opportunities related to sustainable development.

Furthermore, the implementation of sector policies and the analysis and monitoring of controversies allows us to ensure that the investments made comply with certain prerequisites that have been set to respond to the sustainability criteria defined by the Bank.

Limitations to methodologies and data

MSCI bases its research on data provided directly or indirectly by companies. The Bank is aware that this approach presents three primary limitations:

1. It is difficult to control the transparency, correctness and precision of the data provided directly by all companies covered by MSCI;
2. Analysis of data calculated on the basis of estimates may not be an adequate reflection of reality;

3. Furthermore, the standards and regulations relating to the disclosure of such data are not globally harmonised. This lack of harmonisation may result in regional disparities and, potentially, penalise some geographical regions with less strict standards than the European Union.

To minimise the impact of these limitations on assessing the environmental and social characteristics promoted by this Mandate, the Bank has established various filters:

- For direct holdings, if data is not reported by the company and cannot be estimated by MSCI, the Bank will not consider this asset as part of its sustainability analysis;
- For investment funds, the Bank has established a filter to exclude assets reporting insufficient data from the ESG analysis.

The Bank ensures that at least 90% of assets (excluding cash and gold) included in the socially responsible funds Mandate have an ESG rating provided by MSCI. This ensures that the data is properly representative of the portfolio and at least 75% of assets qualify as responsible assets, i.e. with a rating of at least BBB on the MSCI ESG Manager rating scale, this proportion (75%) being determined after excluding out-of-scope assets (cash and gold).

Due diligence

In addition to the exclusion of assets for which ESG data is either not available or insufficiently meaningful, the Bank has established a system of controls to ensure the quality of data used as part of its sustainability integration.

The Bank uses a “best-in-class” approach based on a set of geographically grouped assets provided by MSCI. This approach enables the Bank to compare the data attributed to an asset with a cohort of comparable peers.

This approach enables us to identify any anomalies in the data provided by companies.

In addition, if an asset included in this Mandate is subject to an environmental and/or social controversy, the Bank’s SRI committee may carry out additional qualitative research to decide whether to exclude this asset from the Mandate and the Bank’s investment universe.

Engagement policies

We use a resolutely entrepreneurial approach to identify companies that will generate high levels of profitability for many years to come. This long-term perspective, where the aim is to understand the various aspects of a company before investing so as to measure all associated risks, aligns well with our ESG approach.

The investment universe is made up of companies with transparent operations and clear business models.

The ESG investment policy of the Bank and BLI for the discretionary Mandate 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 Institutional Shareholder Services Inc. (ISS) sustainable voting policy. 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 the 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. Any assets held will be sold within three months. In certain exceptional cases, the relevant asset may be held after in-depth qualitative analysis by the Bank and approval by the SRI committee.

Designated reference benchmark

A reference benchmark has not been designated for the attainment of the environmental or social characteristics promoted by the financial product.