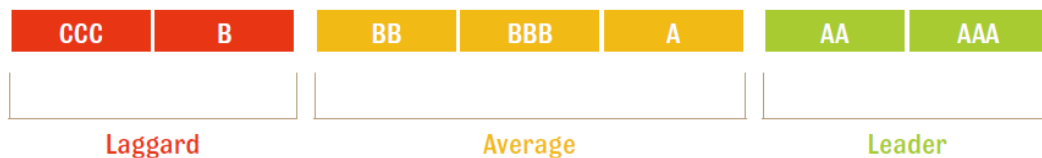


Implementation of the commitment policy

1. Company monitoring

1.1 A quantitative approach

In 2021, we introduced a quantitative approach based on using MSCI ESG Manager scores to calculate the ESG profile of the portfolio of directly held equities. Every equity holding in the portfolio is awarded a score, ranging from 0 for the worst companies to 10 for the best. Next, these scores are weighted based on the size of each position to work out an overall score for the portfolio. This is then converted into a rating from CCC to AAA, using the MSCI ESG Manager scale¹.



The aim is to achieve an average portfolio rating of BBB or higher, denoting above-average ESG positioning.

The ESG investment policy for the direct lines solution is built on several separate yet interdependent key principles, including:

- Exclusions
- Integrating ESG factors
- Analysing controversies

1.2 Exclusions

In accordance with the various international conventions, all companies involved in the production of controversial weapons, such as anti-personnel mines, cluster munitions, depleted uranium and white phosphorus munitions, as well as chemical and biological weapons, are completely excluded.

1.3 Integrating ESG factors

Fundamental analysis is at the heart of the management process, allowing us to identify and quantify the permanence of a company's competitive advantage and assess its long-term potential.

This analysis of the company's fundamentals is based on historical profitability levels, the strength of the balance sheet, capital allocation and the management team's past decisions. Determining potential available cashflow generation and carrying out a detailed assessment of the company's secular growth drivers are also key stages in the analysis process.

¹ The full methodology is available at <https://www.msci.com/documents/1296102/4769829/MSCI+ESG+Ratings+Methodology+-+Exec+Summary+Dec+2020.pdf>

For our valuation model, we use a standardised Dividend Discount Model (DDM) across all the securities in our universe, regularly supplemented with Discounted Cash Flows (DCF) analysis allowing us to determine each company's intrinsic value. Calculating this intrinsic value provides a point of reference in the purchasing and selling process. This characteristic feature of our approach allows us to better understand the risks associated with an investment.

Our models integrate both ESG risks and opportunities through the discount rate. A company with a strong ESG profile will be assigned a higher intrinsic value, whereas a company lagging behind on ESG issues will be assigned a lower intrinsic value. This process is based on ESG ratings established by the data supplier MSCI ESG Research² (AAA to CCC), where a rating of 'A' is considered neutral. As such, companies with a rating of A will not have their valuation model amended.

Integrating ESG factors into the valuation process, investment decisions and hence final portfolio allocations is fully in line with our fundamental approach of selecting securities issued by high-quality companies through a long-term entrepreneurial approach. Taking non-financial data into account paints an even more detailed picture of all risks and opportunities associated with candidates for investment and therefore enables us to take even more well-informed investment decisions.

1.4 Controversies

Additionally, we conduct ongoing controversy monitoring on the companies held in the portfolio. An ESG controversy may be defined as a real-world incident or situation in which a company is accused of behaviour with an adverse impact on the various stakeholders (employees, suppliers, local communities, the environment, shareholders, etc.).

These events could affect the company's business model, its reputation and potentially the investment case. We identify such controversies by using the MSCI ESG Manager platform, which provides daily alerts on any noteworthy controversies involving the companies held in the portfolio.

We also pay close attention to any controversies involving companies when we analyse candidates for investment. The aim of this is to assess the severity of the adverse impact of each situation.

Banque de Luxembourg's full ESG risk integration policy can be found at <https://www.banquedeluxembourg.com/en/bank/bl/esg?country=LU>

2. Exercising voting rights and other rights attached to shares

The positions held in our portfolios represent a small portion of the market cap, we did not exercise our voting rights during the past year.

² The full methodology is available at <https://www.msci.com/documents/1296102/4769829/MSCI+ESG+Ratings+Methodology+-+Exec+Summary+Dec+2020.pdf>