

Product name	Discretionary socially responsible funds mandate
Legal entity identifier	PSZXLEV0705MHRRFCW56

## 1. Environmental and/or social characteristics

Does this financial product have a sustainable investment objective <sup>1</sup> ?	
<input checked="" type="radio"/> <input checked="" type="radio"/> <input type="radio"/> Yes	<input checked="" type="radio"/> <input type="radio"/> <input type="radio"/> No
<input type="checkbox"/> It will make a minimum of <b>sustainable investments<sup>1</sup> with an environmental objective</b> : _____%	<input type="checkbox"/> It promotes Environmental/Social (E/S) characteristics and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 20% of sustainable investments
<input type="checkbox"/> In economic activities that qualify as environmentally sustainable under the EU Taxonomy <sup>2</sup>	<input type="checkbox"/> With an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
<input type="checkbox"/> In economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	<input type="checkbox"/> With an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective</b> : _____%	<input type="checkbox"/> With a social objective
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective</b> : _____%	<input type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b>

## 2. What environmental and/or social characteristics are promoted by this financial product?

The socially responsible funds 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.

Management of the socially responsible funds mandate is based on the following characteristics:

1. Monitoring of environmental and social controversies
2. Respect for the sector exclusion policies of Banque de Luxembourg (the Bank)
3. Respect for the United Nations Global Compact

The socially responsible funds mandate also ensures that the companies in which investments are made apply good governance practices. The socially responsible funds mandate's objective is to have at least 75% of investments aligned with these environmental and social characteristics.

The Mandate is therefore classified as an Article 8 product under Regulation (EU) 2019/2088 (the "SFDR"). A reference benchmark has not been designated for the attainment of this product's environmental and social characteristics.

1. **Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

2. The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

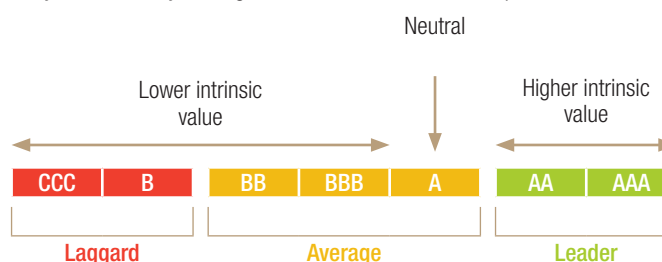
### What sustainability indicators<sup>3</sup> are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?

The Bank invests first and foremost in assets whose data is covered by MSCI ESG Manager<sup>4</sup>. At least 75% of the assets for which data is available must be aligned with the sustainability characteristics promoted by the mandate.

The Bank has selected several sustainability indicators to measure these characteristics:

1. The exclusion of the environmental and/or social controversies classed as “red”, according to MSCI ESG Manager;
2. The restriction or exclusion of assets linked to certain industries such as coal;
3. Alignment of 20% of investments with themes linked to the Sustainable Development Goals (“SDGs”) defined by the United Nations, reflecting the portfolio’s positive contribution, measured through MSCI *Sustainable Impact Metrics*.

MSCI ESG Manger’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 additional indicators:

- The implementation of limits for the principal adverse impacts of investments, which are set by the Bank based on data provided by MSCI ESG Manager. These limits are determined for each adverse impact based on an average of the adverse impacts of comparable assets. The mandate’s approach requires at least 66% of the invested portfolio to be aligned with these limits, i.e. to have a lower adverse impact than the average for its peers;
- An average overall rating of at least AA for the proportion of assets covered by MSCI ESG Manager (excluding cash and gold);
- A rating of at least BBB for at least 75% of the assets covered by MSCI ESG Manager (excluding cash and gold);

The investment decisions of this mandate consider all of these indicators, measured using a proprietary calculation methodology of the Bank based principally on an analysis of the data provided by MSCI ESG Manager.

### What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?

The sustainable investments made through the socially responsible funds mandate pursue several environmental and social objectives aligned with the United Nations SDGs. (e.g. SDG 1 – No poverty, SDG 7 – Affordable and clean energy, and SDG 9 – Industry, innovation and infrastructure). Funds and trackers are selected for their positive contribution to these themes. This positive contribution is ascertained from MSCI ESG Manager via the MSCI Sustainable Impacts Metrics criterion, which calculates the proportion of a company’s income that contributes to addressing the social and environmental challenges listed below, divided into four main categories:

- Climate change: alternative energy & energy efficiency, “green” housing
- Natural capital: water management, pollution prevention, sustainable farming
- Basic needs: access to healthcare and hygiene, to nutrition and to affordable housing
- Empowerment: access to education, SME finance, and connectivity

This list is not exhaustive and may change over time.

3. **Sustainability indicators** are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product.

4. MSCI is a financial data provider selected by the Bank.

For assets to be defined as “sustainable investments”, they must satisfy the following criteria:

- Positive contribution to the social and environmental challenges listed above is measured via a minimum percentage of 20% of the income of companies in which the Bank invests either directly or indirectly (through the investment funds held by this Mandate) being aligned with the MSCI Sustainable Impact Metrics criterion;
- A minimum rating of BB according to the data provided by MSCI ESG Manager;
- The exclusion of companies implicated in “orange” or “red” controversies according to data provided by MSCI ESG Manager and/or not compliant with the UN Global Compact; and
- The exclusion of companies that do not comply with the Bank’s sector policies (on companies active in the controversial arms industry, and in the coal power station industry).

The definition of a sustainable asset may vary according to the individual company, the nature of its business, its choice of methods, and the source of data. By opting for alignment with the themes linked to the 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.

---

#### **How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?**

---

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. This involves conducting a test, based on data provided by MSCI ESG Manager, to exclude companies:

- that are active in certain industries such as defence, tobacco and alcohol;
- that are implicated in “orange” and “red” controversies;
- that are not compliant with the United Nations Global Compact;
- that have an ESG rating of CCC or B from MSCI ESG Manager.

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

---

#### **How have the indicators for adverse impacts on sustainability factors been taken into account?**

---

All assets held in the socially responsible fund mandate are tested for consideration of the principal adverse impacts on sustainability factors. This approach is described below (see: Does this financial product consider principal adverse impacts on sustainability factors?).

In addition, this consideration is increased for the share of portfolio assets defined as “sustainable” by the definition of “sustainable investment” adopted by the Bank. It results, among other criteria, in the exclusion of assets having an ESG rating of CCC or B from MSCI ESG Manager. This rating is calculated on the basis of 35 indicators, including some of the principal adverse impact indicators shown in Table 1 of Annex I to the SFDR RTS (greenhouse gas emissions, dangerous and radioactive waste, carbon footprint, etc.).

---

#### **How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:**

---

The Bank uses MSCI ESG Manager data on the establishment of sound governance practices to determine the alignment of its investments with the OECD Guidelines and UN guidelines on human rights. This data allows us to measure the ability of the companies in which the Bank invests directly or indirectly (through the investment funds held by this Mandate) to manage the ESG risks and opportunities associated with their activities and operations (including human capital, sound management practices and compliance with applicable tax laws and standards). An MSCI ESG rating of BB or higher illustrates a company’s ability to manage its resources, mitigate the principal risk, 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.

The EU Taxonomy sets out a “do no significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria. The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

### 3. Does this financial product consider principal adverse impacts<sup>5</sup> on sustainability factors?

- Yes**, in addition to the ESG approach followed in the management of this product, the principal adverse impacts on sustainability factors are also taken into account.

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, provided by MSCI ESG Manager.

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 implemented an approach that considers all of these categories. For assets in this mandate covered by MSCI ESG Manager (excluding cash and gold), an objective of at least 66% of investments must respect the criteria set by the Bank. This approach aims to ensure that the positions held have lower adverse impacts than the average for market assets and that the portfolio as a whole has a limited adverse impact on environmental and social issues.

More information on this consideration will be disclosed in the periodic reports of the socially responsible funds mandate. 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 the socially responsible funds mandate.

- No**.

### 4. What investment strategy<sup>6</sup> does this financial product follow?

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

This mandate covers five risk profiles: defensive, conservative, balance, dynamic and growth.

The investment objective as regards returns and volatility is tailored to each profile, with appropriate corresponding equity and fixed income components.

Various long-term growth themes addressing ESG issues can be included in the equity component. The fixed income fund component 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.

#### What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?

To supplement the ESG approach specific to each of the funds that make up the portfolio, a quantitative approach is also applied to the portfolio as a whole by combining the following three criteria:

- The Bank's aim is for the weighted average MSCI ESG score of the various investments of this portfolio to be AA or higher. The Bank also aims for at least 75% of assets to be defined as "responsible", i.e. rated at least BB on the MSCI ESG Manager scale, this proportion (75%) being determined after excluding out-of-scope assets (cash and gold).
- Assets with a score of CCC cannot be held in the socially responsible funds mandate.
- To ensure that the portfolio is properly representative, the Bank aims for coverage of at least 90% of the assets (excluding cash and gold) by MSCI ESG Manager.

This strategy is supplemented by:

- Consideration of the principal adverse impacts based on a definition of restrictive and binding quantitative thresholds.

5. **Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

6. The **investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

- The exclusion of assets affected by “red” controversies as defined by MSCI ESG Manager.
- The introduction of and compliance with sector policies (limiting or directly excluding the selection of products linked to certain industries such as coal).

### What is the policy to assess good governance practices<sup>7</sup> of the investee companies?

Assessment of investee companies' good governance practices involves:

- Monitoring and analysing controversies, especially social. The Bank has introduced a policy for excluding assets exposed to controversies that our data supplier classes as “red”. 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 assets with an MSCI ESG rating of CCC. These ratings are designed to measure companies' ability to manage risks, and the ESG opportunities presented by their business 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 the principal risk, 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.

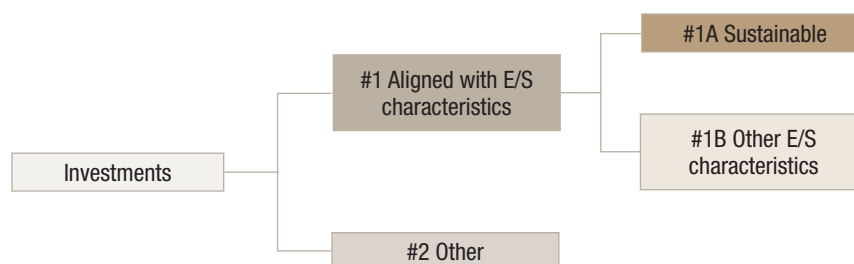
## 5. What is the asset allocation<sup>8</sup> planned for this financial product?

For the proportion of assets covered by MSCI ESG Manager, the socially responsible funds mandate's objective is to have at least 75% of investments aligned with the environmental and social characteristics promoted by the socially responsible funds mandate (#1).

As well as promoting environmental and social characteristics, this product reflects the ambition of having at least 20% of its portfolio invested in assets considered to be “sustainable investments” (#1A).

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

The socially responsible funds 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 supplier, but which – after qualitative analysis by the Bank – respect the restrictive characteristics and features specified for the socially responsible funds mandate.



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives;
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

7. **Good governance practices** include sound management structures, employee relations, remuneration of staff and tax compliance.

8. **Asset allocation** describes the share of investments in specific assets.

## 6. To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy<sup>9</sup>?

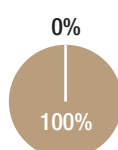
Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>10</sup>?

- Yes,**
- In fossil gas       In nuclear energy
- No.**

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.

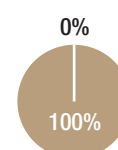
1. Taxonomy-alignment of investments including sovereign bonds\*

■ Taxonomy-aligned (no fossil gas & nuclear)  
■ Other investments



2. Taxonomy alignment of investments, excluding sovereign bonds\*

■ Taxonomy-aligned (no fossil gas & nuclear)  
■ Other investments



\* For the purpose of these graphs, "sovereign bonds" consist of all sovereign exposures.

### What is the minimum share of investments in transitional<sup>11</sup> and enabling<sup>12</sup> activities?

No target for a minimum share of investment in transitional and enabling activities has been chosen for the socially responsible fund mandate. This position may change over time as the availability and quality of data relating to this alignment improve.

## 7. What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy<sup>13</sup>?

Although some investments having an environmental objective may be aligned with the EU Taxonomy, no minimum target for sustainable investments to be aligned with this Taxonomy has been set for the socially responsible funds mandate at this point. This position may change over time as the availability and quality of data relating to this alignment improve.

### What is the minimum share of socially sustainable investments?

In accordance with the overall ESG approach chosen for the socially responsible fund mandate, at least 20% of sustainable investments having an environmental or social objective will be included in the socially responsible fund mandate without any minimum investment objective for either one of these components.

9. Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies.
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

10. Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do no significant harm to any EU Taxonomy objective – see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

11. **Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

12. **Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

13. Are sustainable investments with an environmental objective that do not take into account the criteria for environmentally sustainable economic activities under the EU Taxonomy.

---

## 8. What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

---

Assets considered in “#2 Other” are assets that cannot be deemed to promote environmental or social characteristics. This category covers assets for which data supplied by MSCI ESG Manager is available and meaningful, and indicates a rating below BBB, or assets for which MSCI ESG Manager provides no data but which respect the binding characteristics and elements defined for the socially responsible mandate following specific quantitative analysis from an ESG perspective. This category includes any cash and gold reserves, as well as investments made for diversification and/or hedging purposes.

These assets may be included in the managed portfolio to meet performance or risk management targets that the Bank has set, in accordance with the investment strategy followed by the socially responsible funds mandate.

In all cases, these assets will comply with the following:

- Respect for limitations applicable in virtue of the sector policies implemented by the Bank;
- The exclusion of the environmental and/or social controversies classed as “red”;
- Consideration of the principal adverse impacts;
- The Bank’s qualitative asset selection process for building the managed portfolio.

---

## 9. Where can I find more product specific information online?

---

More product-specific information can be found on the website:  
<https://www.banquedeluxembourg.com/mandat-sri>