

## Fonds de Compensation de la Sécurité Sociale, SICAV-FIS (the “Fund”)

Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

**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.

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 include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.



**Product name:** FDC SICAV GLOBAL EQUITIES – ACTIVE 2 (the “Sub-Fund”)

**LEI:** 5493008WCHO1JXOQ1B16

**Fund manager (by sub-delegation):** HSBC Global Asset Management (UK) Limited (the “Fund Manager”)

## Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?

Yes

No

It will make a minimum of **sustainable investments with an environmental objective:** \_\_\_%

- in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

It will make a minimum of **sustainable investments with a social objective:** \_\_\_%

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 \_\_\_% of sustainable investments

- with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
- with a social objective

It promotes E/S characteristics, but **will not make any sustainable investments**

**What environmental and/or social characteristics are promoted by this financial product?**

The management of the Sub-Fund promotes the following environmental and social characteristics by:

- Giving an active consideration of environmental and social issues through engagement on certain securities held in the Sub-Fund.
- Excluding business activities that are deemed harmful to the environment such as companies:
  - involved with weapons banned by international conventions, including anti-personnel mines, biological weapons, binding laser weapons, chemical weapons, cluster munitions and non-detectable fragments as defined by the Fund Manager and set out in its the Responsible Investment Policy;

- involved with tobacco production and distribution as determined by the Fund Manager.
- Analysing ESG scores as well as carbon, water and waste intensities of companies in the universe to ensure the Sub-Fund has a better ESG score and environmental footprint (defined as carbon, waste and water intensities) than its benchmark.

It should be noted that, in implementing its investment strategy and as an overarching binding restriction, the Fund Manager is required to exclude companies from the Sub-Fund's portfolio referenced on the Fund's proprietary exclusion list. The latter screens out companies based on their involvement in controversial practices against international norms. The core normative framework consists of the Principles of the UN Global Compact, the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles for Business and Human Rights. Equally screened out are companies linked to following controversial weapons: anti-personnel mines, cluster munitions, chemical weapons, biological weapons, depleted uranium, white phosphorus and nuclear weapons. The Fund's exclusion list is available on website: <https://fdc.public.lu/en/investissement-responsable/liste-exclusion-fdc.html>.

Thus, the Sub-Fund is considering responsible business practices in accordance with UN Global Compact and excluding companies that do not comply with international standards as enshrined in the ten principles of the United Nations Global Compact covering human rights, the environment, international labour standards and the fight against corruption as set, on one hand, by the Fund's exclusion list and implemented by the Fund Manager and, on the other hand, set by the Fund Manager's specific exclusions.

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

More information on the responsible investment policy of the Manager is available on website <https://www.assetmanagement.hsbc.co.uk/en/institutional-investor/about-us/responsible-investing#openTab=0>.

● ***What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?***

Sustainability indicators are a key consideration in our investment decision making process.

The primary sustainability indicators are ESG scores and carbon intensity, water intensity and waste intensity data sourced from well-established financial data providers. They are used to measure the attainment of the environmental and social characteristics promoted by the Sub-Fund which includes:

- Carbon Intensity relative to the benchmark;
- Water Intensity , relative to the benchmark;
- Waste Intensity relative to the benchmark;
- E, S and G Pillar Scores, relative to the benchmark;
- ESG Score, relative to the benchmark.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

The Sub-Fund also considers the Principal Adverse Impacts (PAIs) that are listed below:

- PAI n°3 - Green house gas intensity of investee companies (Scope 1 & Scope 2);
- PAI n°8 - Emissions to water;
- PAI n°10 - Violation of UNGC principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises;
- PAI 14 - Exposure to controversial weapons.

The Sub-Fund also excludes investment in companies carrying out business activities that are deemed harmful to the environment. This means that the Sub-Fund will not invest in equities and equity equivalent securities of companies with specified involvement in specific excluded activities ( the “Excluded Activities”) that are listed above.

● ***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 Sub-fund does not commit to make sustainable investments.

● ***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?***

Not applicable.

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

Not applicable.

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

Not applicable.

*The EU Taxonomy sets out a “do not 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.

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*

**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.



## Does this financial product consider principal adverse impacts on sustainability factors?

Yes, the approach taken to consider PAIs means that, among other things, the Fund Manager will scrutinise companies' commitment to lower-carbon transition, adoption of sound human rights principles and employees' fair treatment, and implementation of rigorous supply chain management practices such as those aiming to alleviate child and forced labour. The Fund Manager also pays attention to the robustness of corporate governance and political structures which include the level of board independence, respect of shareholders' rights, existence and implementation of rigorous anti-corruption and bribery policies, as well as audit trails.

The Sub-Fund also considers the PAIs that are listed below:

- Green house gas intensity of investee companies (Scope 1 & Scope 2);
- Emission to water;
- Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises;
- Exposure to controversial weapons.



## What investment strategy does this financial product follow?

The Sub-Fund's objective is to outperform its benchmark, the MSCI World Total Return (net) expressed in USD and converted into EUR. The Sub-Fund invests in normal market conditions in equities and equity-equivalent securities included in its benchmark which captures large and mid-cap representation across developed markets.

The Fund Manager uses a multi-factor investment process, based on five factors (value, quality, momentum, low risk and size), to identify and rank stocks in its investment universe with the aim of maximising the Sub-Fund's portfolio's risk-adjusted return. Although the investment process currently uses these five factors, it is subject to ongoing research regarding the current and potential additional factors.

In order to lower the environmental footprint and raise the Sub-Fund's ESG score, all holdings in the Sub-Fund's portfolio are assessed for their individual carbon intensity, water intensity, waste intensity and ESG scores.

A Fund Manager's proprietary systematic investment process is then used to create a portfolio which:

- maximises exposure to higher ranked stocks, and
- aims for a lower carbon intensity, lower water intensity, lower waste intensity and higher ESG score than the Sub-Fund's benchmark.

Each individual metric (carbon intensity, water intensity, waste intensity and ESG score) for the Sub-Fund and its benchmark are being calculated as a weighted average of the corresponding metric of the Sub-Fund's investment and of the constituents of the benchmark respectively.

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

The Sub-Fund is actively managed and the investment strategy is implemented on a continuous basis through compliance and monitoring of the binding elements as listed below.

The Sub-Fund's general investment approach is described in the Fund's Issue Document.

- ***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?***

The binding elements are:

- The Sub-Fund aims for a weighted average E,S and G scores to be at least as good as those of its benchmark.
- The Sub-Fund aims for an improvement in its weighted average ESG score versus that of its benchmark.
- The Sub-Fund aims for a reduction in its weighted average carbon intensity versus that of its benchmark.
- The Sub-Fund aims for a reduction in its weighted average water intensity versus that of its benchmark.
- The Sub-Fund aims for a reduction in its weighted average waste intensity versus that of its benchmark.
- The Sub-Fund will not invest in Excluded Activities.

The Fund Manager may rely on expertise, research and information provided by well established ESG data providers to identify those companies and to tilt portfolios using ESG scores and environmental metrics in its quantitative investment process.

Consideration will also be made on the products sustainability indicators a continuous basis.

- ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

The Sub-Fund does not commit to reduce the scope of the investments by a minimum rate prior to the application of the investment strategy.

- ***What is the policy to assess good governance practices of the investee companies?***

The quality of governance is assessed on the basis of criteria specified in the investment process which include, among others, business ethics, corporate culture and values, governance framework, corruption etc.

The Fund Manager determines governance materiality both on an absolute basis, focusing in particular on the governance framework, controversies and compliance with the UN Global Compact and OECD Guidelines for multinational enterprises, and on a relative basis, by comparing the quality of the company's governance practices to those of its industry peers.

In addition, issuers in violation of one or more of the 10 principles of the United Nations Global Compact and the OECD Guidelines for multinational enterprises are excluded.

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



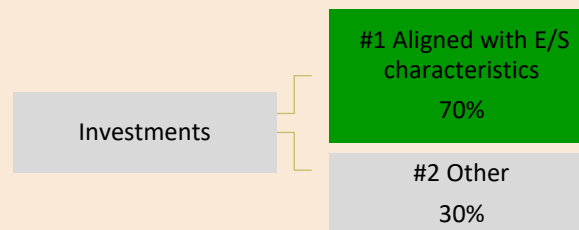
**Asset allocation** describes the share of investments in specific assets.

## What is the asset allocation planned for this financial product?

The Sub-Fund invests in normal market conditions in equities and equity-equivalent securities included in the benchmark, the MSCI World Index, which captures large and mid-cap representation across developed markets.

The Fund Manager uses a multi-factor investment process, based on five factors (value, quality, momentum, low risk and size), to identify and rank stocks in its investment universe with the aim of maximising the Sub-Fund's portfolio's risk-adjusted return. Although the investment process currently uses these five factors, it is subject to ongoing research regarding the current and potential additional factors. In order to lower the environmental footprint and raise the Sub-Fund's ESG rating, all holdings in the Sub-Fund's portfolio are assessed for their individual carbon intensity, water intensity, waste intensity and ESG scores.

Notwithstanding the above and without prejudice to the provisions of the Fund's Issue Document, the Sub-Fund may hold up to 30% in other investments including cash for the purposes of liquidity management and financial derivative instruments. Financial derivative instruments may be used for hedging and efficient portfolio management purposes.



**#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.

### ● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

The Fund Manager does not use derivatives to attain the environmental or social characteristics of the Sub-Fund.

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.

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

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

**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.

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



### **To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy? Does this financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?**

The Sub-Fund does not aim or commit to invest in sustainable investments with an environmental objective aligned with the EU Taxonomy.

The Sub-Fund does not aim or commit to invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy.

#### ● **What is the minimum share of investments in transitional and enabling activities?**

The Sub-Fund does not commit to a minimum share in transitional and enabling activities.



### **What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**

The Sub-Fund does not commit to a minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy.



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

The Sub-Fund does not commit to a minimum share of socially sustainable investments.



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

Under “#2 Other” the Sub-Fund may hold cash, cash equivalents and financial derivative instruments for the purposes of efficient portfolio management and/or risk hedging. For those investments no environmental or social safeguards are applied.

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<sup>1</sup> 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 not significantly harm any EU Taxonomy objective. Fossil gas criteria include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. Nuclear energy criteria include comprehensive safety and waste management rules. The full criteria are laid down in Commission Delegated Regulation (EU) 2022/1214.



Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

**Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?**

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

- ***How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?***

Not applicable.

- ***How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?***

Not applicable.

- ***How does the designated index differ from a relevant broad market index?***

Not applicable.

- ***Where can the methodology used for the calculation of the designated index be found?***

Not applicable.



**Where can I find more product-specific information online?**

More product-specific information can be found on websites:

- <https://www.fdc.lu>
- <https://fdc.public.lu/en/investissement-responsable/approches-durables-gerants-fdc.html>



<i>Schedule of changes :</i>		
<i>V1</i>	<i>October 2023</i>	<i>Initial version</i>
<i>V2</i>	<i>February 2024</i>	<i>Review in terms of form but not content</i>

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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 include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

**Product name:** FDC SICAV EUR BONDS – ACTIVE 2 (the “Sub-Fund”)

**LEI:** 549300CEX6HNG5T1LU95

**Fund manager (by delegation):** HSBC Global Asset Management (France) (the “Fund Manager”)

## Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?

Yes

No

It will make a minimum of **sustainable investments with an environmental objective:** \_\_\_%

- in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

It will make a minimum of **sustainable investments with a social objective:** \_\_\_%

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 \_\_\_% of sustainable investments

- with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
- with a social objective

It promotes E/S characteristics, but **will not make any sustainable investments**



**What environmental and/or social characteristics are promoted by this financial product?**

The management of the Sub-Fund promotes environmental and social characteristics by assessing underlying investments against Environmental, Social, and Governance (ESG) criteria, by using the ESG internal proprietary methodology of the Fund Manager and, by investing in issuers that demonstrate good environmental, social and governance practices.

The first step of the investment process consists of excluding issuers considered by the Fund Manager as:

- involved with weapons banned by international conventions, including anti-personnel mines, biological weapons, binding laser weapons, chemical weapons, cluster munitions and non-detectable fragments. This exclusion will not apply to companies that provide nonweapons related products and/or services to the military or defense industry. For example, telecommunications services, transportation of non-weapon products, software, or data management.
- involved in the tobacco production (with an annual turnover above 5%) and distribution (with an annual turnover above 15%) as determined by the Fund Manager.
- to not comply with international standards as enshrined in the ten principles of the United Nations Global Compact covering human rights, the environment, international labour standards and the fight against corruption. The Manager will consider responsible business practices in accordance with UN Global Compact and exclude companies that do not comply with the standards.

It should be noted that, in implementing its investment strategy and as an overarching binding restriction, the Fund Manager is required to exclude companies from the Sub-Fund's portfolio referenced on the Fund's proprietary exclusion list. The latter screens out companies based on their involvement in controversial practices against international norms. The core normative framework consists of the Principles of the UN Global Compact, the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles for Business and Human Rights. Equally screened out are companies linked to following controversial weapons: anti-personnel mines, cluster munitions, chemical weapons, biological weapons, depleted uranium, white phosphorus and nuclear weapons. The Fund's exclusion list can be viewed at <https://fdc.public.lu/en/investissement-responsable/liste-exclusion-fdc.html>.

Thus, the Sub-Fund is considering responsible business practices in accordance with UN Global Compact and excluding companies that do not comply with international standards as enshrined in the ten principles of the United Nations Global Compact covering human rights, the environment, international labour standards and the fight against corruption as set, on one hand, by the Fund's proprietary exclusion list and implemented by the Fund Manager and, on the other hand, set by the Fund Manager's specific exclusions.

The second stage of the process consists in :

- analysing company ESG ratings as well as carbon intensity scores for issues of corporate issuers and;
- analysing sovereign risk according to an ESG approach for government issuers.

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

More information on the responsible investment policy of the Manager is available on website <https://www.assetmanagement.hsbc.co.uk/en/institutional-investor/about-us/responsible-investing#openTab=0>.

● ***What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?***

Sustainability indicators are a key consideration in our investment decision making process.

The percentage of the Sub-Fund's portfolio covered by ESG analysis based on the ESG Fund Manager's internal proprietary methodology shall be above 70%.

The Fund Manager includes the identification and analysis of an issuer's ESG credentials (the "ESG Credentials") as an integral part of the investment decision making process to reduce risk and enhance returns. ESG Credentials includes, but are not limited to:

- environmental and social factors, including but not limited to physical risks of climate change and human capital management, that may have a material impact on a security issuer's financial performance and valuation;
- corporate governance practices that protect minority investor interests and promote long term sustainable value creation.

ESG Credentials are proprietary to the Fund Manager, subject to ongoing research and may change over time as new criteria are identified. Notwithstanding the Excluded Activities as detailed below, the inclusion of an issuer in the Sub-Fund's investment universe is at the discretion of the Fund Manager. Issuers with improving ESG Credentials may be included when their credentials are still limited.

The Sub-Fund also considers the Principal Adverse Impacts (PAIs) that are listed below:

- PAI n°3 - Green house gas intensity of investee companies (Scope 1 & Scope 2);
- PAI n°10 - Violation of UNGC principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises;
- PAI 14 - Exposure to controversial weapons.

The Sub-Fund also excludes investment in companies carrying out business activities that are deemed harmful to the environment. This means that the Sub-Fund will not invest companies with specified involvement in specific excluded activities that are listed above (the "Excluded Activities").

● ***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 Sub-fund does not commit to make sustainable investments.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

**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.

● **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?**

Not applicable.

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

Not applicable.

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

Not applicable.

*The EU Taxonomy sets out a “do not 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.

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*



**Does this financial product consider principal adverse impacts on sustainability factors?**

Yes, the approach taken to consider PAIs means that, among other things, the Fund Manager will scrutinise companies’ commitment to lower-carbon transition, adoption of sound human rights principles and employees’ fair treatment, and implementation of rigorous supply chain management practices such as those aiming to alleviate child and forced labour. The Fund Manager also pays attention to the robustness of corporate governance and political structures which include the level of board independence, respect of shareholders’ rights, existence and implementation of rigorous anti-corruption and bribery policies, as well as audit trails.

Governments’ commitment to availability and management of resources (including population trends, human capital, education and health), emerging technologies, government regulations and policies (including climate change, anti-corruption and bribery), political stability and governance, will also be taken into account.

The Sub-Fund also considers the PAIs that are listed below:

- Green house gas intensity of investee companies (Scope 1 & Scope 2);
- Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises;
- Exposure to controversial weapons.



### **What investment strategy does this financial product follow?**

The Sub-Fund's objective is to outperform its benchmark, the Bloomberg Barclays Euro Aggregate - Ex Securitized Total Return Index, expressed in EUR, while integrating a sustainable and socially responsible investment approach in its investment strategy and inherent decision-making processes. The Sub-Fund invests in normal market conditions in bonds and bond-equivalent securities included in its benchmark.

Without prejudice to compliance with the Fund's exclusion list, the Fund Manager applies its group's Responsible Investment Policy including norm-based screens, exclusion lists and stewardship activities when taking into account ESG criteria in the investments of the Sub-Fund, as well as its own ESG integration methodologies.

The Sub-Fund is actively managed and the investment strategy is implemented on a continuous basis through compliance and monitoring of the binding elements as listed below.

The Sub-Fund's general investment approach is described in the Fund's Issue Document.

- ***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?***

The binding elements are:

- The Sub-Fund aims to have a higher ESG rating, calculated as a weighted average of the ESG ratings given to the issuers of the Sub-Fund's investments, than the weighted average of the constituents of its benchmark.
- The Sub-Fund will not invest in Excluded Activities.

The Fund Manager may rely on expertise, research and information provided by well established financial data providers to identify companies exposed to Excluded Activities

Furthermore, the management of the Sub-Fund is based on, a binding and significant ESG integration approach at each step of the investment process with the aim to improve its ESG profile compared to its benchmark, alongside fundamental financial considerations.

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

Proprietary ESG rating: the Fund Manager calculates an aggregate 0 (worst) to 10 (best) ESG rating. The Fund Manager's company ESG analysis relies on a proprietary ESG analysis model, supplied by data from extra-financial rating agencies and internal research. The Fund Manager has developed a proprietary methodology to produce issuer ratings, issuer rankings and ESG portfolio evaluations. Each company receives four ratings: an E, S, or a G rating and an aggregated one making it possible to rank companies.

These ratings are essential to integrating ESG considerations in the Fund Manager's qualitative security assessment processes: based on the Fund Manager's assessment of materiality, the ESG weights are sector-specific. The Fund Manager has developed a bespoke 30 sector segmentation and assigned a weighting for the E, S and G pillars depending on the sector characteristics and specificities. The Fund Manager has defined the main ESG risk criteria specific to each sector; each of them being assigned a weight, which contributes to the overall internal rating. Depending on the industry, ESG factors can contribute 8% to 30% of an issuer's operational risk assessment. The Fund Manager's ESG sector specific weights, are the result of the Fund Manager's in depth research produced by internal analysts.

In the case where an ESG score of an issuer is in the bottom 5% of their industry sector or where an issuer breached one or more of the ten principles of the United Nations Global Compact, the issuer will be subject to enhanced due diligences and during these diligences, new investments are not permitted or are restricted

● ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

The Sub-Fund does not commit to reduce the scope of the investments by a minimum rate prior to the application of the investment strategy.

● ***What is the policy to assess good governance practices of the investee companies?***

The quality of governance is assessed on the basis of criteria specified in the investment process which include, among others, business ethics, corporate culture and values, governance framework, corruption etc. The Fund Manager determines governance materiality both on an absolute basis, focusing in particular on the governance framework, controversies and compliance with the UN Global Compact and OECD Guidelines for Multinational Enterprises, and on a relative basis, by comparing the quality of the company's governance practices to those of its industry peers. When significant and/or impacting governance risks are identified, companies are subject to enhanced due diligence, which at a minimum requires management teams to conduct additional analysis.

The Fund Manager exercises two types of engagement activities:

- Direct engagement: the Fund Manager's credit analysts and managers are responsible for engaging with the issuers, generally through calls and meetings with management and in company roadshows.
- Collaborative engagement: the Fund Manager participates actively in collective engagement initiatives on a various themes run by industry groups he is a member.

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

The dialogue or engagement with the company, is then monitored over time and recorded.

Finally, issuers in violation of one or more of the 10 principles of the United Nations Global Compact and the OECD Guidelines for multinational enterprises are excluded.



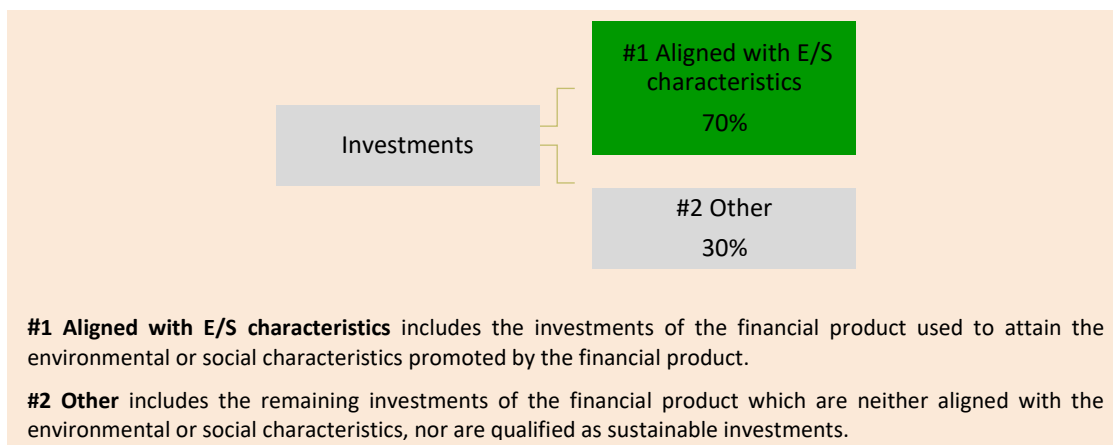
**Asset allocation** describes the share of investments in specific assets.

### What is the asset allocation planned for this financial product?

The Sub-Fund invests in normal market conditions in Euro denominated Investment Grade rated fixed income and other similar securities which are either issued or guaranteed by governments, government agencies, supranational bodies or by companies which are domiciled in, based in, or carry out the larger part of their business in any country including developed markets and emerging markets. Notwithstanding the above and without prejudice to the provisions of the Fund's Issue Document, the Sub-Fund may hold up to 30% in other investments including cash for the purposes of liquidity management and financial derivative instruments. Financial derivative instruments may be used for hedging and efficient portfolio management purposes.

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.



To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

The Fund Manager does not use derivatives to attain the sustainable investment objective of the Sub-Fund.



**To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy? Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?**

The Sub-Fund does not aim or commit to invest in sustainable investments with an environmental objective aligned with the EU Taxonomy.

<sup>1</sup> 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 not significantly harm any EU Taxonomy objective. Fossil gas criteria include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. Nuclear energy criteria include comprehensive safety and waste management rules. The full criteria are laid down in Commission Delegated Regulation (EU) 2022/1214.



### Enabling activities

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

### 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.



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



The Sub-Fund does not aim or commit to invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy.

#### ● **What is the minimum share of investments in transitional and enabling activities?**

The Sub-Fund does not commit to a minimum share in transitional and enabling activities.

#### ● **What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**

The Sub-Fund does not commit to a minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy.



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

The Sub-Fund does not commit to a minimum share of socially sustainable investments.



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

Under “#2 Other” the Sub-Fund may hold cash, cash equivalents and financial derivative instruments for the purposes of efficient portfolio management and/or risk hedging. For those investments no environmental or social safeguards are applied.



### Reference benchmarks

are indexes to measure whether the financial product attains the environmental or social characteristics that

#### ● **Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?**

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

#### ● **How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?**

Not applicable.

#### ● **How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?**

Not applicable.

#### ● **How does the designated index differ from a relevant broad market index?**

Not applicable.

- ***Where can the methodology used for the calculation of the designated index be found?***

Not applicable.



### **Where can I find more product-specific information online?**

More product-specific information can be found on websites:

- <https://www.fdc.lu>
- <https://fdc.public.lu/en/investissement-responsable/approches-durables-gerants-fdc.html>

<i>Schedule of changes :</i>		
<i>V1</i>	<i>October 2023</i>	<i>Initial version</i>
<i>V2</i>	<i>February 2024</i>	<i>Review in terms of form but not content</i>